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## **8.01 – RETAILER RULES AND REGULATIONS**

### **SCOPE**

The Retailer Rules and Regulations contain specific rules, regulations, procedures, instructions and directives which apply to Lottery Retailers as defined by the North Carolina State Lottery Act ("Act"). The North Carolina Education Lottery (NCEL) will, from time to time, amend these Rules and Regulations and adopt new Rules and Regulations. When this occurs, all existing Lottery Retailers will be advised of these changes. By signing a Retailer contract, each Retailer agrees to comply with all terms, conditions, obligations and requirements of Retailers set forth in these Rules and Regulations, as they may be amended from time to time.

### **DEFINITIONS (see *appendix A*)**

Capitalized terms used herein shall have the meanings set forth in Appendix (A) attached hereto, unless otherwise defined in context.

### **GENERAL RULES**

- A. At each respective Retailer Business Location listed in the Retailer Contract for which a certificate of authority has been issued, each Retailer shall sell NCEL Lottery Tickets, but only for those lottery games authorized by the NCEL, to be sold at each such Retailer Business Location. The lottery games authorized by the NCEL, in its sole discretion, may include Instant Games, On-Line Games, and any other games which may be developed, distributed and sold under the authority of the NCEL. For each of the NCEL lottery games that the Retailer is authorized by NCEL to sell, the Retailer shall abide by any and all Rules and Regulations adopted by NCEL to govern each respective game.
- B. No Lottery Retailer may sell any NCEL Lottery Tickets at any location unless that Lottery Retailer has in effect a Retailer contract issued in accordance with the Act which has not been terminated, suspended, canceled or revoked. No Lottery Retailer shall sell any lottery Tickets or Shares except from a Retailer Business Location listed in its retailer contract and as evidenced by the display of a Certificate of Authority for such Retailer Business Location; however, in certain instances, the NCEL may issue a temporary Certificate of Authority to specifically authorize the sale of Tickets from a temporary location.
- C. If NCEL issues a Certificate of Authority for more than one retailer Business Location listed in the Retailer Contract, to the extent that it may be necessary for administrative or regulatory purposes, the Retailer Contract shall be deemed a separate contract for each such Retailer Business Location. In the event that the NCEL and Retailer may enter into more than one Retailer Contract for any specific Retailer Business Location, whether at time of Retailer Contract renewal or otherwise, the most recently dated retailer contract shall amend, renew, replace, and restate any prior Retailer Contract in its entirety for each of the Retailer Business Locations listed therein.
- D. No Lottery Retailer can be exclusively engaged in the business of selling lottery Tickets or shares or operating electronic computer terminals or other devices solely for entertainment at any Retailer Business Location.
- E. For each location at which Tickets are to be sold, a Retailer Contract is required which lists the designated location as a Retailer Business Location. A Retailer applicant who desires to operate more than one (1) Retailer Business Location to sell Tickets must

submit separate information for each such location in such form as the NCEL may require. The NCEL, in its sole discretion, may authorize the sale of lottery Tickets for all, any or none of the NCEL's lottery games from each such respective location.

- F. No Retailer Contract is assignable or transferable, in whole or in part, to any person or entity. No Retailer Contract is transferable to any location(s) other than as specified in the Retailer Contract. For purposes of a Retailer Contract, any of the following will be deemed to be an impermissible assignment of the Retailer Contract which may result in the Retailer Contract for that Retailer Business Location being suspended or revoked:
  - 1. the change in ownership of a controlling equity interest in the Retailer; or
  - 2. the addition or deletion of any of the owners holding more than five percent (5%) of the retailer; or
  - 3. the sale of all or substantially all of the assets of the Retailer; or a change in the location of the Retailer's business or in the nature of the business of the Retailer. Any proposed new owner must file a new application for a Retailer contract. If prior notice is provided to the NCEL in writing at least thirty (30) days before any proposed business or location change or change in ownership, an interruption of Lottery Terminal operation may possibly be avoided.
- G. An applicant or Retailer shall notify the NCEL of any change in the information in the applicant's or Retailer's most recent application for a Retailer Contract or upon renewal of a Retailer Contract. The applicant or Retailer shall notify the NCEL of the change in the information within thirty (30) days following the date of the change. Notwithstanding the preceding sentence, a corporate applicant or Retailer is not required to notify the NCEL under this subsection of a transfer of less than five percent (5%) of the corporate stock unless the transfer results in a change in ownership of a controlling equity interest in the Retailer or the addition or deletion of any of the owners holding more than five percent (5%) of the Retailer.
- H. No person shall sell a Ticket or Share at a price other than established by the NCEL. No person other than a duly contracted Lottery Retailer shall sell lottery Tickets, but this shall not be construed to prevent a person who may lawfully purchase Tickets or Shares from making a gift of lottery Tickets or Shares to another. Nothing shall be construed to prohibit the NCEL from designating certain of its representatives and employees to sell or give lottery Tickets or Shares directly to the public.
- I. Lottery Tickets or Shares may be given by merchants as a means of promoting goods or services to customers or prospective customers, subject to prior approval by the NCEL.
- J. Retailers shall not condition the sale of lottery Tickets upon the purchase of any other goods or services and shall not impose any other unauthorized restriction or condition upon the sale or redemption of lottery Tickets. Neither Retailer nor its employees shall request, demand or accept gratuities or other remuneration of any kind in exchange for the performance of any obligation required under the Retailer Contract, unless specifically authorized by the NCEL.
- K. No lottery Tickets shall be sold to Minors (persons under eighteen (18) years of age). Retailer shall establish such safeguards as are necessary to ensure that no sales are made or prizes paid to Minors.
- L. Retailer shall place any vending machine utilized for the purpose of dispensing Instant Tickets only in locations on the premises which are within the view of such Retailer or an

- employee of same, and said vending machine shall bear a conspicuous label prohibiting its use by Minors.
- M. Retailers shall not extend credit to the purchaser of lottery Tickets and shall not accept a charge card or food stamps for the purchase of a lottery Ticket.
  - N. Retailers shall not sell lottery Tickets by mail, telephone, fax or other similar method of communication.
  - O. Retailers shall make the purchase of Tickets conveniently and readily accessible to their customers during the Retailers' normal business hours, unless circumstances arise that are out of the control of the Retailer and could not have been avoided by the exercise of due care.
  - P. Retailers shall, upon validation and payment of a winning lottery Ticket, immediately deface the ticket. Tickets must be defaced either by punching a hole through the validation bar code of the Ticket, drawing a heavy black line through the entire validation bar code, or tearing the Ticket in half.
  - Q. Retailers shall maintain a copy of "How to Play" brochures for all games being sold by the NCEL at any particular time.
  - R. Retailers shall only accept from players official North Carolina Education Lottery Play Slips that are manually prepared.
  - S. Retailers shall not sell lottery Tickets or Shares in the state of North Carolina other than those issued to it by the NCEL.
  - T. Retailers shall not knowingly sell a Ticket or combination of Tickets to any person or entity which would guarantee such purchaser a grand prize win or a jackpot win.
  - U. Retailer shall attend training sessions from time to time, as requested by the NCEL.
  - V. Retailer shall:
    - 1. Immediately report to the NCEL's Security department any knowledge of unlawful activities or other improprieties that concern the operations of the NCEL or the NCEL's lottery games;
    - 2. Report all stolen Instant Tickets to the NCEL's Security Department within 24 hours of discovery. In addition, the Retailer shall file a police report for the stolen Tickets within 24 hours, and forward a copy to the NCEL within fourteen (14) calendar days of the initial report of the theft to the NCEL; and
    - 3. Fully cooperate with the NCEL in the investigation of any lost, stolen, altered, or counterfeit lottery Tickets or other unlawful or improper activities affecting the operations of the NCEL or the NCEL's lottery games.
  - W. If more than one Retailer Business Location is to be covered by a Retailer Contract, each such location shall be listed in Form A, Page 2, attached to the Retailer Contract. Locations may be added or deleted from Form A Page 2 by mutual agreement of Retailer and NCEL, effective upon the date of a revised Form A Page 2 signed by both Retailer and NCEL; however, NCEL may cancel, deny, revoke, suspend, terminate, or refuse to renew the Retailer Contract with regard to any individual location(s) for any of the reasons set forth in the "Termination, Cancellation, Suspension and Revocation of the Retailer Contract" Section.

- X. In the event that the Retailer's business, or any of its Retailer Business Locations, is sold, the Retailer shall continue to be liable of the successor owner's NCEL transactions as if the successor owner were an agent of the Retailer, unless and until timely written notice from Retailer on or before such transfer is delivered to NCEL specifically requesting cessation of NCEL sales at the transferred Retailer Business Location(s). The Executive Director may adopt from time to time any appropriate and necessary procedures to verify the ownership of a Retailer and/or any retailer Business Location to ensure that Tickets in fact are sold only by Retailers under an approved Retailer Contract, all in accordance with the Act and these Rules and Regulations.
- Y. Retailer shall maintain such financial and accounting records relating to lottery Ticket sales and its performance under the Retailer contract, in such form as the NCEL shall from time to time prescribe. Retailer shall file reports with the NCEL specifying the Retailer's receipts and transactions relating to the sale of lottery Tickets on such forms and in such manner as shall be required from time to time by the NCEL. Retailer shall make such records available for inspection and review at any time during Retailer's normal business hours by any NCEL employees or agents designated to take such action by the Executive Director.
- Z. By entering into the Retailer Contract, the Retailer:
1. acknowledges that the NCEL has made no representations or warranties as to whether Retailer may or may not be prohibited from engaging in the sale of lottery Tickets by reason of controlling federal statute, rule or regulation; and
  2. represents and warrants to the NCEL that it is not prohibited from entering into the Retailer Contract or engaging in the sale of lottery Tickets by any deed, lease, contract, charter, bylaw or other restriction; and
  3. represents and warrants to the NCEL that Retailer fully satisfies all requirements for a "Retailer" as defined in the Act; and
  4. agrees and acknowledges that failure by Retailer to comply with any of the terms or provisions of the Retailer Contract, including the provisions of the Act and these Rules and Regulations, shall constitute a breach of the Retailer Contract; and
  5. agrees and acknowledges that Retailer shall be liable for all costs incurred by the NCEL in enforcing the Retailer Contract and in collecting any amounts due to the NCEL from Retailer there under, including court costs and attorneys' fees; and
  6. agrees and acknowledges that it shall defend, protect and hold harmless the State of North Carolina, the NCEL, and any and all commissioners, officers, directors, employees and agents thereof, from and against all claims, suits or actions arising from any willful or negligent act or omission of Retailer or its officers, directors, employees or agents while performing its obligations under the Retailer Contract; and
  7. agrees and acknowledges that it is responsible for any loss or property damage to the NCEL or its Vendors which results from a willful or negligent act or omission of Retailer or which results from the failure on the part of Retailer to secure, maintain and administer any such property in accordance with sound management practices; and
  8. agrees and acknowledges that it is responsible for making or having made, and bearing all costs associated therewith, any and all necessary or appropriate

modifications to its telecommunications systems or facilities which are reasonably requested by the NCEL to facilitate the installation, operation and maintenance of any lottery related equipment, including Lottery Terminals and display monitors.

- AA. Retailer shall not subcontract any of its duties or obligations under the Retailer Contract.
- BB. Retailer shall exercise control and supervision over its employees selling lottery Tickets and shall be fully responsible and liable for their conduct, as it relates to the sale of lottery Tickets. Retailer shall provide instructions to its employees concerning the Act, these Rules and Regulations and the Retailer Contract.
- CC. Retailer shall maintain any and all bank accounts required by the NCEL.
- DD. Retailer shall not sell any lottery Tickets or hold itself out as a Lottery Retailer if the Retailer Contract is no longer in force for any reason, whether by virtue of suspension, termination, revocation, cancellation or non-renewal.
- EE. Retailer shall return to the NCEL all lottery Tickets, goods, materials, and lottery equipment delivered to the Retailer pursuant to the Retailer contract upon cancellation, denial, termination, suspension, revocation or non-renewal of the Retailer Contract or upon demand by the NCEL.
- FF. Retailer shall not use a NCEL insignia, logo, trademark, service mark, or name of any NCEL lottery game in an advertisement without the prior written authorization of the Executive Director in each instance.
- GG. Retailer shall not display or publish lottery related material which may be considered derogatory or adverse to the operation or dignity of the NCEL or the State of North Carolina. Retailer shall remove any such materials from the Retailer Business Location upon the Request of the NCEL.
- HH. Retailer shall accurately complete, timely return, and otherwise comply with any and all information update requests or other forms required by the NCEL from time to time during the term of the Retailer Contract.
- II. Retailer shall perform its obligations under the Retailer Contract solely as an independent contractor of the NCEL, and not as an agent, partner, joint venture or employee of the NCEL or the State of North Carolina.
- JJ. Notices:
  - 1. Retailer shall notify the NCEL in writing at least thirty (30) calendar days in advance of any of the following changes:
    - a. voluntary cancellation of the Retailer Contract by Retailer "Termination, Cancellation, Suspension and Revocation of the Retailer Contract" Section; or
    - b. the change in the designated separate bank account from which payments are to be made; or
    - c. the change in ownership of Retailer's business at any Retailer Business Location

2. Retailer shall notify the NCEL in writing no more than thirty (30) calendar days after the occurrence of any of the following changes:
  - a. the change in any of the information submitted to NCEL in the Retailer's most recent application, including ownership changes, pursuant to the "General Rules" Section above; or
  - b. the death or incapacity of owner(s), partner(s), sole proprietor, etc.; or
  - c. any change causing Retailer no longer to satisfy fully all requirements of a "Retailer" as defined in the Act. Specifically, without limitation, Retailer shall submit such notice if, at any time during the term of the Retailer Contract, Retailer or any of its owners are convicted of, or enter a plea of guilty or nolo contendere, to a criminal offense prohibited by the Act, or have assessed against them a tax delinquency, within ten (10) calendar days of the occurrence of such event
- KK. No waiver by either the NCEL or the Retailer of any term or provision of the Retailer Contract, or of any default thereunder, shall affect such party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.
- LL. The invalidity or unenforceability of any term or provision of the retailer contract shall not affect or diminish the validity or enforceability of the remaining provisions contained therein.

## **RETAILER SELECTION CRITERIA**

- A. Retailer selection criteria established by the NCEL are designed to comply with all requirements of the Act, to provide clear and objective guidelines to Retailer applicants and to maximize the participation of retailers in the State of North Carolina.
- B. It is illegal to sell North Carolina lottery tickets without a contract or to sell tickets out-of-state or through the mail. It is also illegal to sell lottery tickets in North Carolina from any other lottery.
- C. Retailer applicants will be eligible to become Retailers, at the NCEL's sole discretion, to sell Tickets at one or more of its Retailer Business Locations upon the following conditions:
  - The Retailer applicant cannot be engaged exclusively in the business of selling lottery tickets or shares or operating electronic computer terminals or other devices solely for entertainment.
  - The Retailer applicant can only sell tickets from a location that has been issued a certificate of authority from the Commission. A certificate of authority is required for each location owned and operated by a lottery game retailer. The certificate of authority must be conspicuously displayed at each location.
  - The Director may not recommend contracting with a natural person under 21 years of age.
  - In addition, the Director may not recommend contracting with a person who is not current in filing all applicable tax returns to the State, excluding items under formal appeal under applicable status.
  - A lottery game retailer cannot reside in the same household as a member of the Commission, the Director, or any other employee of the Commission.

- D. As part of the contracting process, the retailer is required by law to pass a tax check and submit to a criminal background check. A credit report will also be requested. A non-refundable processing fee will be charged for these required financial and criminal background checks. The applicant, including all proprietors, partners, corporate officers or shareholders holding more than five percent (5%) of the ownership interest, either: meets an acceptable level of creditworthiness as assessed through an independent credit agency, and has an acceptable level of creditworthiness, in the NCEL's sole discretion, based upon the current or prior payment history with the NCEL; or must provide a financial security deposit or other credit enhancement as requested by the NCEL;
- E. The applicant must submit the required application fee for each Retailer Business Location;
- F. The applicant must establish a separate bank account in the name of the Retailer, "In Trust For The North Carolina Education Lottery" for lottery proceeds and provide the banking information to the NCEL which enables collection of the net lottery proceeds by way of electronic Funds Transfer (EFT)
- G. The applicant must have one (1) or more individuals from each Retailer Business Location attend and successfully complete the training program prescribed by the NCEL;
- H. After a visit to each proposed Retailer Business Location by a Lottery Sales Representative, the NCEL will determine whether all information provided by the Retailer appears accurate and that each such retail establishment sells products other than lottery Tickets, provides services other than those prohibited herein and is not a mobile or residential location.
- I. Retailer must sign a Retailer Contract(s), in form and content satisfactory to the NCEL, which list all proposed Retailer Business Locations.
- J. If an applicant, including all proprietors, partners, corporate officers or shareholders holding more than five percent (5%) of the ownership interest, or that has ever held a like position or ownership interest in any NCEL Retailer, has an outstanding unpaid balance owing to the NCEL, the applicant must satisfy in full any such balance and may be required, in the NCEL's sole discretion, to provide a financial security deposit or other credit enhancement acceptable to the NCEL.
- K. The foregoing notwithstanding, the NCEL may deny a Retailer Contract to any Retailer applicant in accordance with "Termination, Cancellation, Suspension and Revocation of the Retailer Contract" Section of the Retailer Rules and Regulations.
- L. In addition to the foregoing, a Retailer will be eligible to be authorized by NCEL, in NCEL's sole discretion, to sell Tickets for On-Line games at one or more of its Retailer business Locations if:
  - 1. the Retailer is already authorized by NCEL to sell Tickets for Instant Games; and
  - 2. the retailer has complied with the installation requirements for an On-Line Games Lottery Terminal at each such Retailer Business Location; and
  - 3. the Retailer has had one or more employees from each such Retailer Business Location attend On-Line Games training; and
  - 4. the Retailer has not been delinquent with EFT transactions within the previous ninety (90) days; and



5. the Retailer has demonstrated adherence to all NCEL Rules and Regulations, including but not limited to payment of prizes to lottery players as demonstrated by the NCEL's record of Retailer validations and sales.
- M. All Retailer applicants will be informed within reasonable time periods of their failure to comply with any of the provisions in the Act, Retailer Contract, or these Rules and Regulation, including specific details of the non-compliance. The NCEL will assist the Retailer applicant on a "best efforts" basis to resolve any outstanding issue.
- N. Notwithstanding the criteria in these Rules and Regulations, the NCEL, in its sole discretion, may authorize exceptions to the listed criteria and authorize a Retailer to sell Tickets for Instant Games, or On-Line Games when the Retailer does not meet all the criteria. The intent of this provision is to allow the NCEL to ensure that: (1) Instant Games, On-Line Games, and Lottery Terminals are available in all geographic areas of the state, are represented in a variety of trade styles, are accessible to Retailers which are "minority businesses", as defined by the Act, and are available to support marketing initiatives with specific Retailers; and (2) administrative difficulties for Retailer applicants are avoided (e.g., consent forms would not necessarily need to be required from all corporate officers in a large multi-state conglomerate).
- O. By signing a Retailer Contract, the Retailer shall be subject to the Act and Rules and Regulations, and, in particular, those Rules and Regulations governing the specific lottery games which the NCEL has authorized the retailer to sell.

#### **APPLICATION, SERVICE AND RENEWAL FEES**

- A. Applications submitted to the NCEL for each Retailer Business Location, including applications for a change of ownership of an existing Retailer Business Location must be accompanied by a cashier's check, money order, business check, or personal check, in the amount of \$75.00, plus \$10.00 for each additional Retailer Business Location established under the authority of the North Carolina State Lottery Act.
- B. A Retailer shall pay a service fee of \$15.00 per week for each installed On-Line Lottery Terminal. This fee shall be included automatically in the settlement process and collected by EFT. This service fee may be waived in the discretion of the NCEL in accordance with uniform minimum sales criteria that may be developed and other criteria which may be established by the NCEL from time to time.
- C. All Lottery Retailer Contracts will remain in effect, at the discretion of the NCEL, unless sooner cancelled, terminated, suspended or revoked. The NCEL at its discretion may charge a renewal fee applicable to all Retailers.

#### **TERMINATION, CANCELLATION, SUSPENSION AND REVOCATION OF THE RETAILER CONTRACT**

- A. The Retailer contract may be canceled by Retailer at any time upon thirty (30) calendar days prior written notice to the NCEL.
- B. If the Executive Director or designee(s) determine, in their sole discretion, that cancellation, denial, revocation, suspension or termination of the Retailer Contract is in the best interest of the NCEL, the State of North Carolina or the public welfare, the Executive Director or designee(s) may at any time cancel, deny, revoke, suspend or terminate the Retailer Contract upon written notice to Retailer; provided, however, Retailer shall first be entitled to a hearing on such cancellation, denial, revocation, suspension or termination in accordance with the Act and Chapter 2 of these Rules and

Regulations; provided, further, that the Executive Director or designee(s) may temporarily suspend Retailer's rights under the Retailer Contract without prior notice, pending any prosecution, hearing or investigation, in accordance with the Act.

C. Notwithstanding the "Termination, Cancellation, Suspension and Revocation of the Retailer Contract" Section, the NCEL may immediately cancel, deny, revoke, suspend, terminate, or refuse to renew a Retailer Contract if the Retailer or any of its owners:

1. violates a provision of the Act, the Retailer Contract, or these Rules and Regulations; or
2. is or has been, or retains an employee involved in the sale of lottery Tickets who is or has been, convicted of a criminal offense related to the security or integrity of the NCEL or a lottery in any other jurisdiction; or
3. is or has been, or retains an employee involved in the sale of lottery Tickets who is or has been, convicted of a gambling-related offense, false statements, false swearing or perjury in this or any other jurisdiction or a crime punishable by more than one year of imprisonment or a fine of more than \$1,000.00 or both unless their person's civil rights have been restored and at least five (5) years have elapsed from the date of the completion of the sentence without a subsequent conviction of a crime described above; or
4. commits fraud, misrepresentation or deceit; or
5. provides false or misleading information to the NCEL; or
6. acts in a manner prejudicial to the security or integrity, or the public confidence in the security or integrity, of the NCEL; or
7. is delinquent in the payment of any federal, state or local taxes owed by it; or
8. changes any Retailer Business Location for which NCEL has issued a Certificate of Authority under the Retailer Contract; or
9. fails to accurately or timely account for proceeds or prizes from the sale of lottery Tickets; or
10. fails to accurately or timely account for lottery Tickets received from the NCEL; or
11. fails to maintain a minimum level of sales, as established by the NCEL from time to time; or
12. files for or is placed in bankruptcy, receivership, insolvency or similar proceedings or fails to pay its debts as they become due; or
13. contracts with any other person or entity for lottery goods or services without the prior written approval of the NCEL; or
14. fails to meet any of the objective criteria established by the NCEL pursuant to the Act; or
15. is subjected to any material change, as determined to be material in the sole discretion of the NCEL, in any matter considered by the NCEL in entering this Retailer Contract; or

16. fails to maintain the designated account from which Electronic Funds Transfers (EFT) payments are to be made, withdraws the authorization for the NCEL to initiate EFT transactions to and from such designated account, or fails to have sufficient funds available in such designated account on the dates specified by the NCEL.

## **PRIZE PAYMENT POLICY**

- A. The determination of whether the player is a winner is subject to the game-play rules and the winner validation procedures and confidential validations tests established by the Commission for the particular lottery game involved.
- B. All instant game prizes must be claimed within (90) calendar days of the announced end of game. If the 90<sup>th</sup> calendar day falls on a day in which the NCEL is not open for business the ticket must be claimed on the next business day. An instant ticket that is mailed must be received at NCEL headquarters or any NCEL district office within 90 calendar days of the announced end of game. Postmarks shall not constitute satisfaction of the 90 day requirement.
- C. All online game prizes must be claimed within 180 days of the drawing. If the 180<sup>th</sup> calendar day falls on a day in which the NCEL is not open for business the ticket must be claimed on the next business day. An online ticket that is mailed must be received at NCEL headquarters or any NCEL district office within 180 calendar days of the drawing. Postmarks shall not constitute satisfaction of the 180 day requirement.
- D. Prizes under \$600 may be claimed at any NCEL lottery game retailer. Prizes between \$600 and \$99,999.99 must be claimed at any NCEL regional office or by mail using an NCEL prize claim form. Prizes of \$100,000 or more must be claimed in person at NCEL headquarters.
- E. The NCEL may not pay prizes to any claimant who purchases a ticket from an unauthorized retailer.
- F. Under no circumstances will the NCEL pay a prize or share of a prize without the original ticket being presented to the NCEL.
- G. No prize shall be paid for a lottery ticket or share that is stolen, counterfeit, altered, fraudulent, un-issued, produced or issued in error, unreadable, not received or recorded by the commission by the applicable deadlines, lacking in captions that conform and agree with the play symbols as appropriate to the lottery game involved, or not in compliance with any specific rules and public or confidential evaluation and security tests appropriate to the particular game involved.
- H. No valid claim for a prize in any lottery game shall be paid more than once. The Director, Commission, and the State shall be discharged of all liability upon payment of a prize.
- I. No prizes shall be paid to a person under the age of 18.
- J. No ticket or share in a lottery game shall be purchased by, and no prize shall be paid to, a member of the Commission, the Director, or employee of the Commission, or to any spouse, parent, or child living in the same household.
- K. The NCEL, its lottery game retailers, and/or advertising agency may use a winners name and photograph for the purpose of promoting and advertising the NCEL unless a prize winner submits to the NCEL a copy of a protective order without attachments, if any,

issued to that person under N.C.G.S. 50B-3 or a lawful order of any court of competent jurisdiction restricting the access or contract of one or more persons with that prize winner, or presents a current and valid Address Confidentiality Program authorization card issued pursuant to the provisions of Chapter 15C of the North Carolina General Statutes. That prize winner's identifying information shall be treated as confidential information under N.C.G.S. 132-1.2 as long as the protective order remains in effect or the prize winner's identifying information shall be available for inspection by a law enforcement agency or by a person identified in a court order if inspection of the address by that person is directed by that court order.

- L. All prizes are subject to federal and state income tax.
- M. Persons who are entitled to prize payment of \$600.00 or more and owe at least \$50.00 to a registered creditor are subject to debt set-off of that prize pursuant to N.C.G.S. 18C-134.

## **MERCHANDISING**

- A. Unless the NCEL agrees otherwise in writing, each Retailer shall offer to its customer all available lottery games and Tickets which the NCEL has authorized the Retailer to sell at any given Retailer Business Location. The Retailer shall use the lottery Ticket dispensers and/or vending machines provided by the NCEL for the sale of Instant Tickets. The Retailer shall place such dispensers, vending machines, and any Lottery Terminals provided by the NCEL in a prominent location in the Retailer's establishment near the cash register or check-out area.
- B. Each Retailer shall prominently display, in an area visible to the Retailer's customers at each Retailer Business Location authorized by NCEL, the Certificate of Authority for such Retailer Business Location issued to it by the NCEL. Retailer shall return each such Certificate of Authority to the NCEL immediately upon any termination, denial, cancellation, suspension, revocation or non-renewal of the Retailer contract.
- C. In accordance with instructions issued from time to time by the NCEL, the Retailer shall:
  - 1. maintain displays, notices and materials supplied by, or on behalf of, the NCEL;
  - 2. prominently display and maintain such signage and point-of-sale materials as may be supplied by, or on behalf of, the NCEL to be used in conjunction with lottery Ticket sales, including door decals, game posters, display Tickets, danglers, change mats, lighted interior signs, banners, odds of winning, and any other items provided by the NCEL;
  - 3. utilize and properly maintain Instant Ticket dispensers, vending machines, Lottery Terminals, and such other Lottery-related equipment that may be provided by, or on behalf of, the NCEL;
  - 4. make available to potential lottery customers player brochures supplied by the NCEL from time to time and to explain lottery game rules;
  - 5. abide by any and all promotional guidelines established by the NCEL; and
  - 6. provide adequate supplies of Winner Claim Forms, entry envelopes and Play Slips, and provide adequate space for a play station

## **SETTLEMENT AND RETAILER INVOICING**

- A. The accounting period for purposes of preparing Retailer invoices shall be one week from Sunday at 5:00 a.m. through Sunday at 2:00 a.m.
- B. All Packs of Instant Tickets settled in an accounting period and all sales of On-Line Games lottery products occurring within the accounting period will be invoiced to the Retailer. The Retailer invoice will be available through the NCEL Lottery Terminal after 5:00 a.m. on the Sunday immediately following the end of the accounting period.
- C. For Instant Games, all Ticket Packs settled between Sunday at 5:00 a.m. and Sunday at 2:00 a.m. in an accounting period will be included in the Retailer invoice for that accounting period. As a general rule, a Pack of Instant Tickets will settle (*i.e.* become a Settled Pack) during the accounting period of five (5) days after the pack was activated (*i.e.* became an Activated Pack); however, the predetermined formula or schedule for determining the time of settlement of Packs of Tickets may be modified at the discretion of the NCEL in accordance with uniform criteria established by the NCEL from time to time.
- D. For the first sixty (60) days after start-up, instant ticket packs will be settled on the gaming system five (5) days after packs have been activated by the lottery game retailer. Lottery game retailers will be required to pay for those packs at the close of the accounting week in which that fifth (5<sup>th</sup>) day occurs. For example: If a pack is activated on Monday it will settle on the following Saturday and will be charged to the retailer at the close of the accounting week on Saturday. Beginning the sixty-first (61<sup>st</sup>) day after start-up, packs will settle twenty-one (21) days after activation.
- E. The Retailer invoice will provide a calculation of the proceeds due the NCEL during the accounting period. The proceeds will be equal to the retail value of Settled Packs of Instant Game Tickets, plus the retail value of On-Line Game Ticket sales, less applicable sales Commissions and bonuses, if any, less any validations of winning Tickets by the Retailer, plus service fees, plus or minus any adjustments to the Retailer account as calculated by the NCEL.
- F. For purposes of calculating the Retailer invoice, free Ticket prizes validated by the Retailer shall have the same value as the applicable retail value of a free Ticket provided to the Claimant.
- G. If a winning Ticket that is validated by a Retailer and credited to the Retailer's account has not been defaced by the Retailer and is later presented to the NCEL for payment, the NCEL will pay the prize and adjust the Retailer's account for the value of the prize payment.

## **BANKING, DEPOSITS, AND PAYMENT REQUIREMENTS**

- A. These conditions and guidelines described below detail the responsibilities of the lottery game retailer in order to ensure fair and equitable handling of all financial circumstances with regards to lottery game retailer accounts. Any deviation from these guidelines will be at the discretion of the Executive Director.
- B. Each retail outlet must be approved by the NCEL prior to obtaining a contract to dispense lottery products. A portion of this approval process includes a background check verifying the financial status of the Retailer applicant by obtaining personal and business credit history. A report containing questionable or unresolved credit issues may cause the

applicant to be subject to a conditional status, requiring that a security deposit or security bond be posted in an amount determined by the NCEL based on anticipated or current sales. Questionable items may include debts sent to a collection agency marked as “unpaid”, unresolved judgments, and personal or business bankruptcy. These guidelines are intended to be applied fairly to all applicants for a lottery contract.

- C. In addition, personal credit reports on all owners, officers, and/or directors, may be run annually or as often as deemed to be necessary to update the status of active retailers. Decisions based on the results of new information may include the requirement of a security deposit or security bond according to guidelines.
- D. Payment for lottery tickets is to be made weekly via electronic funds transfer (EFT), or more frequently as determined by the NCEL, from the lottery game retailer bank account to the NCEL receiving account. It is the responsibility of the lottery game retailer to deposit all lottery proceeds on a daily basis into a designated bank account set up “In Trust for NCEL”.
- E. On the occasion (Step 1) of an “insufficient funds” EFT, a charge of \$25.00 will be added to the lottery game retailer account. The lottery game retailer will be contacted via telephone as well as notified in writing by the NCEL. A cashiers check or money order of the uncollected balance must be delivered to NCEL headquarters or an NCEL regional office within 24 hours. At the sole discretion of the Executive Director a business check may be accepted for payment depending on the circumstances. If payment is not received within 24 hours the lottery terminal will be disabled and instant ticket deliveries will cease until such time payment is received.
- F. If a second (Step 2) “insufficient funds” EFT occurs within a six (6) month period, a charge of \$50.00 will be added to the lottery game retailer account. The lottery game retailer will be contacted via telephone as well as in writing. A cashiers check or money order for the uncollected balance plus \$50.00 must be delivered to NCEL headquarters or an NCEL regional office within 24 hours. At the sole discretion of the Executive Director a business check may be accepted for payment depending on the circumstances. The lottery terminal will be immediately disabled and instant ticket deliveries will cease until such time payment is received.
- G. Any subsequent (Step 3) “insufficient funds” events within six (6) months of the second occurrence will result in a \$75.00 fee, disabling of the lottery terminal for up to 30 days, ceasing of instant ticket deliveries, and the settlement and retrieval of all instant tickets in the possession of the lottery game retailer. The lottery game retailer will be contacted via telephone as well as in writing. A cashiers check or money order for the uncollected balance plus \$75.00 must be delivered to NCEL headquarters or an NCEL regional office within 24 hours. A security deposit or security bond may be required to restore the lottery contract.
- H. In addition, any lottery game retailer with two or more “insufficient funds” payments during a six (6) month period will be ineligible for any incentive programs that may apply to the periods of unsuccessful sweep attempts.
- I. Any lottery game retailer may regain “good financial standing” with the completion of six (6) successive months of successful EFT sweeps. “Good financial standing” allows a retailer to participate in incentive programs that may be in effect.
- J. In the event that a lottery game retailer defaults on payment, individuals listed as having a financial interest in the business (those individuals listed in the retailer application) will be considered financially liable for any outstanding balance owed to the NCEL at the time of default as well as all instant tickets and equipment not returned to the NCEL.

- K. In the event payment is not forthcoming after a period of 90 days from the date of default, the names of the responsible individuals may be forwarded to a collection agency for the purpose of collection the debt. An unpaid debt may result in a listing on the personal credit history file of each individual financially associated with the defaulting lottery game retailer.

### **SECURITY DEPOSIT (OR SURETY BOND) GUIDELINES**

- A. If a retailer applicant does not meet the Minimum Requirements of Creditworthiness, the applicant may be required to post a Security Deposit.
- B. If an applicant has an Insufficient Credit Rating, they will be given the opportunity to submit additional information to assist in the credit evaluation, including but not limited to, information regarding the retailer's trade experience with current vendors and suppliers, banking relationship, current ownership equity, previous ownership experience, and financial condition.
- C. The minimum Security Deposit, if required, is \$2,000 per location.
- D. The NCEL reserves the right to require additional security or to waive some or all of the required Security Deposit depending on the applicant's sales potential and credit evaluation.
- E. Deposits will be held a minimum of twenty-four (24) months, after which a new credit evaluation will be conducted.
- F. If a retailer has three (3) instances of NSF within a 180-day period, an immediate credit evaluation will be conducted to consider whether a new or additional Security Deposit is required.
- G. The credit evaluation will take into account, among other considerations, the retailer's general credit history and the retailer's sales and credit history with the NCEL, including the number, amount, and reason for NSF returns.
- H. Provided that the retailer has paid all funds due and owing to the NCEL at the conclusion of the retailer's contract, the Security Deposit will be returned to the retailer.

## 8.02 – RETAILER DISPUTE RESOLUTION

### **SCOPE**

These Lottery Game Retailer Dispute Resolution Procedures apply to and shall constitute the exclusive procedure for binding resolution of:

- A. All claims, disputes and complaints of Aggrieved Retailers, whether in an administrative proceeding or litigation, at law or equity; and
- B. Any Dispute Resolution Requests of any kind filed by an Aggrieved Retailer relating in any way to its relationship with the NCEL or any agreement entered into with the NCEL; and
- C. Any action taken with respect to any Aggrieved Retailer in connection with them either being, or applying to be, a Lottery Game Retailer; including, but not limited to, any questions or issues arising out of or relating to:
  - 1. any aspect of approving, contracting with, suspending, terminating, or taking any action in connection with a contract with a Lottery Game Retailer;
  - 2. the interpretation of any contractual provisions with a Lottery Game Retailer;
  - 3. the applicability or interpretation of any law, rule or regulation with respect to a Lottery Game Retailer or Applicant;
  - 4. any decision to award, deny, suspend or cancel, terminate or not renew any contract or agreement with any Lottery Game Retailer or Applicant;
  - 5. the payment, or non-payment of any sums to or from a Lottery Game Retailer or Applicant;
  - 6. a Denial of an Applicant to become a Lottery Game Retailer; or
  - 7. any other business or other relationship between NCEL and a Lottery Game Retailer or Applicant.

### **DEFINITIONS (see appendix A)**

Capitalized terms used herein shall have the meanings set forth in Appendix (A) attached hereto, unless otherwise defined in context.



## **FILING A DISPUTE RESOLUTION REQUEST**

- A. Any Aggrieved Retailer who has timely paid, and is current on, any and all sums owed to the NCEL may file a Dispute Resolution Request seeking a determination with respect to any matter which is included within the scope of these Lottery Game Retailer Dispute Resolution Procedures. An Aggrieved Retailer who files a Dispute Resolution Request is hereinafter referred to as a "Petitioner." Other than as expressly set forth in these Lottery Game Retailer Dispute Resolution Procedures, nothing contained herein shall confer any rights or remedies upon any Aggrieved Retailer or Petitioner, or impose any duties or obligations upon the NCEL, which are not otherwise so conferred or imposed by the Act.
- B. Any Dispute Resolution Request shall be in writing and shall be filed by delivery by hand or courier to the Director with a copy to the Legal Counsel of the NCEL at the address listed below, or at such other address at which the headquarters of the NCEL may be located from time to time:

Director  
North Carolina Education Lottery  
2100 Yonkers Road  
Raleigh, NC 27604

Legal Counsel  
North Carolina Education Lottery  
2100 Yonkers Road  
Raleigh, NC 27604

- C. The Dispute Resolution Request shall include the following information:
1. The name, address and telephone number of the Petitioner;
  2. The signature of the Petitioner;
  3. Identification of the specific retail location that the Petitioner operates that is the subject of the Dispute Resolution Request;
  4. A detailed statement of the legal, policy and/or factual grounds supporting the position of the Petitioner, including copies of relevant documents;
  5. Any other documentation the Petitioner wishes to submit in support of Petitioner's position; and
  6. A statement of the relief requested whether legal, equitable or otherwise. If a monetary award is requested, the amount shall be stated and the method of calculation shall be described in detail.
- D. For a Dispute Resolution Request to be timely filed, the original Dispute Resolution Request manually signed by the Petitioner must be physically received by the NCEL within the time period prescribed below. Facsimile or any other electronically transmitted copies of the Dispute Resolution Request will not be accepted.
- E. A Petitioner shall be required to have fully and timely paid any and all sums owed to the NCEL up through and including the date it files any Dispute Resolution Request, otherwise such Dispute Resolution Request shall not be accepted or be deemed proper. Failure to be current with the NCEL as of the time of the filing of any Dispute Resolution Request will result in the dismissal of such Dispute Resolution Request.

## **TIMELINE FOR FILING A DISPUTE RESOLUTION REQUEST**

A Dispute Resolution Request in regard to a Denial shall be filed within five (5) business days after the date such Denial is communicated to the Applicant.

Dispute Resolution Requests based upon any suspension or termination of any Lottery Game Retailer's contract as a Lottery Game Retailer with the NCEL shall be filed within five (5) business days after the effective date of any such suspension or termination.

Dispute Resolution Requests based upon any other actions or omissions of the NCEL with respect to an Aggrieved Retailer shall be filed within five (5) business days after the effective date of any such action or omission of the NCEL.

In all other cases pertaining to a dispute with an Aggrieved Retailer, other than those covered in A-C above, a Dispute Resolution Request must be filed within five (5) business days after the earlier to occur of: (i) the occurrence of the event that gives rise to the dispute; or (ii) after the Aggrieved Retailer knows or should have known of the facts giving rise to the action complained of.

Failure to file a written Dispute Resolution Request within the applicable time limit shall bar any further administrative, legal, or equitable action of any kind or nature in any body, court or agency. Time is of the essence in the various Lottery Game Retailer matters with respect to the NCEL.

Failure to timely and fully pay all sums due to the NCEL within the applicable time frame shall result in an untimely filing and bar any further administrative, legal, or equitable action of any kind or nature and in any body, court or agency.

Notwithstanding anything herein to the contrary: (i) regardless if a Dispute Resolution Request is timely filed in accordance with these Lottery Game Retailer Dispute Resolution Procedures before any action has been taken by the NCEL, the NCEL may still take any action it deems appropriate (and all parties subject to a contract with the NCEL may also perform in accordance with such contract) even before a decision is rendered on the Dispute Resolution Request; and (ii) if a timely and properly filed Dispute Resolution Request seeks any equitable relief, the NCEL may nonetheless continue to take such actions, or not take such actions, as it deems appropriate with respect to the matter subject to the Dispute Resolution Request until such Dispute Resolution Request shall have been resolved in accordance with these Lottery Game Retailer Dispute Resolution Procedures.

### **CONFIDENTIAL INFORMATION**

- A. Material submitted by a Petitioner shall not be withheld from any interested party except to the extent required by law.
- B. If the Petitioner believes the Dispute Resolution Request contains confidential information or trade secrets it must comply with all relevant provisions of the North Carolina Public Records Act to attempt to secure confidential treatment thereof; provided, however, all Petitioners acknowledge that the NCEL is subject to the Public Records Act and Open Meetings Laws of the State of North Carolina, and thus NCEL is not liable for any disclosure of any material submitted by any Petitioner regardless of the circumstances.

### **DIRECTOR OR DESIGNEE DECISION**

- A. The Director (or his Designee) shall have the exclusive authority to decide all Dispute Resolution Requests.
- B. Unless the Director refers the Dispute Resolution Request to a Designee, the Director shall issue a written “**Decision**” within fifteen (15) calendar days after a Dispute Resolution Request has been filed. The Decision shall include:
  - 1. A brief description of the claim;

2. A reference to the pertinent contract provision;
  3. A brief statement of the factual, policy or legal issues raised or implicated;
  4. A statement of the Director's Decision, findings of facts and conclusions of law, with supporting rationale and the remedial action and/or award, if any.
- C. The Director shall furnish a copy of the Decision to the Petitioner by certified mail, return receipt requested or by any other method that provides written evidence of delivery, such as hand delivery by courier, express mail or overnight express courier (any such method being defined as a "**Documented Delivery Method**").
- D. The time limit for Decisions may be extended by the Director (or his Designee), in his discretion, for good cause for a reasonable time not to exceed thirty (30) additional calendar days. The Director (or his Designee) shall notify the Petitioner in writing that the time for the issuance of a Decision has been extended and the date by which a Decision will be issued.
- E. If the Director determines that he wants a Designee to make a determination in any Dispute Resolution Request, such Designee shall make a written ruling recommendation in the form of a "**Proposed Decision**" to the Director within fifteen (15) calendar days after such Dispute Resolution Request has been filed. If the Director receives a Proposed Decision, he must render his final and binding Decision in writing and deliver the Decision to the Petitioner within fifteen (15) calendar days after receiving the Proposed Decision from the Designee. With respect to any Proposed Decision made by any Designee, the Director may:
1. accept, modify or reject the Designee's Proposed Decision in whole or in part;
  2. return the matter to that Designee with instructions;
  3. make any other appropriate disposition; or
  4. issue a no action response.
- F. If the Director issues a no action response, then the determination in the Proposed Decision of the Designee will be deemed to be accepted by the Director and will become the Decision.
- G. The Director's final and binding Decision shall be sent to the Petitioner by a Documented Delivery Method.
- H. If the Director fails to issue a Decision within the time limits set forth herein, the Petitioner may proceed as if the Director had issued an adverse Decision to the Petitioner.

### **ADDITIONAL INFORMATION**

The Director (or his Designee), in his sole discretion, may seek additional information or documents from the Petitioner or such other person or entity who might have relevant information, and if requested, the Petitioner shall comply with such requests for additional information or documents.

## **FILING AN APPEAL TO THE COMMISSION**

- A. A Petitioner (an “**Appellant**”) may appeal (an “**Appeal**”) a Decision of the Director solely to the Commission. Any Appeal from a Decision of the Director must be filed with the Commission within five (5) business days after receipt of such Decision.
- B. Any Appeal shall be filed by delivery, by hand or courier, to the Director with a copy to the Legal Counsel of the NCEL at the address listed in the “Filing a Dispute Resolution Request” Section or at such other address at which the headquarters of the NCEL may be located from time to time. An Appeal so delivered will be timely filed only if received by the NCEL at the above-stated address during its normal business hours on or before the fifth (5th) business day prescribed above.
- C. Every Appeal must be in writing and shall contain the following:
  - 1. a copy of the Decision of the Director;
  - 2. the detailed basis for the precise factual, policy or legal error in the Decision of the Director from which the Appeal is taken.
- D. The Commission may notify any other individuals or entities which it, in its sole discretion, determines it wishes to notify of the Appeal (by Documented Delivery Method) within five (5) calendar days after the Appeal is filed.
- E. Any interested party may file a written brief stating its position on the Appeal within five (5) business days after receipt of such notice.

## **COMMISSION’S FINAL DECISION**

- A. The Commission, or a committee of the Commission, may review the record without a hearing or oral argument and issue a written “**Final Commission’s Decision**” on behalf of the Commission. The Commission, or a committee of the Commission, may, in the manner and under procedures that the Commission or its committee shall deem appropriate under the circumstances in its sole discretion: (1) conduct its own review or investigation; (2) conduct a de novo review in whole or in part; or (3) allow oral argument.
- B. No later than fourteen (14) days after the next Commission meeting following the timely filing of an Appeal of a Decision of the Director, a copy of the Final Commission’s Decision will be sent to the Appellant by Documented Delivery Method. If the Commission fails to deliver the Final Commission’s Decision within the time periods set forth in the “Filing an Appeal to the Commission” Section, then the Decision of Director will be deemed to be accepted and adopted by the Commission in all respects and it shall become the Final Commission’s Decision. The Final Commission’s Decision will be final and binding, and no further appeal will be allowed.

## **JUDICIAL REVIEW**

By submitting an application or attempting to become a Lottery Game Retailer, all Aggrieved Retailers irrevocably waive, to the fullest extent permitted by law, any right which they have to appeal any Final Commission’s Decisions made pursuant to these Lottery Game Retailer Dispute Resolution Procedures. Only after exhaustion of all remedies and procedures in these Lottery Game Retailer Dispute Resolution Procedures of NCEL, if applicable law permits any further appeals, any such appeal must be brought solely in the Superior Court of Wake County, North

Carolina, and all Aggrieved Retailers irrevocably waive any objection which they may have to the venue of any appeal being solely in the Superior Court of Wake County, North Carolina.

### **EXCLUSIVE REMEDY**

These Lottery Game Retailer Dispute Resolution Procedures provide the exclusive procedure for asserting a claim against the NCEL arising out of or relating to any matter which is within the scope of these Lottery Game Retailer Dispute Resolution Procedures. Neither an Aggrieved Retailer, Petitioner nor any other interested party has a right to any remedy against the NCEL with respect to a matter within the scope hereof, except in accordance with the procedures set forth in these Lottery Game Retailer Dispute Resolution Procedures.

### **AMENDMENT**

These Lottery Game Retailer Dispute Resolution Procedures may be amended from time to time by the Commission. Any Aggrieved Retailer or other individual or entity may, and should, obtain the latest version of these Lottery Game Retailer Dispute Resolution Procedures before proceeding in connection with any Dispute Resolution Request or dispute governed hereby.

## 8.03 – INSTANT TICKET GAME RULES

### **SCOPE**

The Instant Game Rules and Regulations contain specific rules, regulations, procedures, instructions and directives which apply to Instant Games developed and offered for distribution and sale to the public by the North Carolina Education Lottery ("NCEL"). The NCEL will, from time to time, amend these Rules and Regulations and adopt new Rules and Regulations that pertain to all Instant Games as well as game specific items that will be incorporated into the Working Papers for each game. In the event of a conflict among the Act, the Instant Game Rules and Regulations, and the Retailer Contract, the Act will govern the Instant Game Rules and Regulations, and the Instant Game Rules and Regulations will govern the Retailer contract; however, to the extent not in conflict with the Act, the Working Papers will govern the Instant Game Rules and Regulations as to the specific Instant Game being produced for distribution; Further, however, to the extent not in conflict with the Act, any special rules, Draw Procedures or other Game Procedures adopted by the NCEL and uniformly announced to all Retailers for a specific Instant Game (such as for a sales contest), will govern the Working Papers and the Instant Game Rules and Regulations as to that game.

### **DEFINITIONS** *(see appendix A)*

Capitalized terms used herein shall have the meanings set forth in Appendix A attached hereto, unless otherwise defined in context.

### **GENERAL RULES**

- A. If the NCEL, in its sole discretion, has authorized a Retailer to sell Tickets for Instant Games at one or more of its Retailer Business Locations, in addition to all provisions, terms and conditions of the Act, other Rules and Regulations, and the Retailer Contract, the Instant Game Rules and Regulations herein shall apply to all Instant Games. To the extent of any inconsistency with either the Retailer Contract or with the Retailer Rules and Regulations found in Chapter 8.01 of the NCEL Policies and Procedures Manual, the Instant Game Rules and Regulations shall govern the Instant Games.
- B. Each Retailer shall sell Instant Tickets for any and all Instant Games, as directed by the NCEL, at each of its Retailer Business Locations listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Instant Games.
- C. Acceptance and Return of Instant Tickets:
  - 1. Each Retailer shall have a fiduciary duty and responsibility to preserve and account for all Instant Tickets accepted from the NCEL or its distributor, as well as cash proceeds from the sale of any lottery products.
  - 2. Any Instant Tickets not properly accounted for by the Retailer upon termination of the Retailer Contract, upon demand by the NCEL, or at the End of Game date for the corresponding Instant Game, regardless of the reason, shall be deemed to have been purchased by the Retailer.
  - 3. Retailers shall confirm receipt of all Packs of Instant Tickets delivered, at the time of delivery, through the Lottery Terminal provided by the NCEL. Failure to confirm Tickets upon receipt could result in the Retailer Contract being revoked. Retailers shall accept only complete Ticket orders assigned to them and will not

be allowed to accept a part of the Ticket order delivered to them unless approved by the NCEL.

4. The NCEL will accept full and partial Pack returns immediately following the termination, cancellation, suspension, revocation or non-renewal of a Retailer Contract with the NCEL. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. The returned Instant Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the Executive Director. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
5. For special Instant Games which may have varying market appeal, as determined from time to time in the sole discretion of the Executive Director (such as seasonal, special interest and sports theme Instant Games), the NCEL may accept full and partial Pack returns prior to the announced End of Game. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. The returned Instant Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the Executive Director. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
6. Prior to announcing the End of Game date for any particular Instant Game to the general public, the NCEL will notify Retailers of a prior date at which the NCEL expects the Retailer to cease selling Instant Tickets for that game. Thereafter, and on or before the End of Game date, the NCEL Sales Representative, or any other employee designated by the Executive Director, will pick up any full and partial Packs of Tickets for that game remaining with the Retailer. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
7. The foregoing notwithstanding, the NCEL may, from time to time, adopt rules limiting the return and acceptance of full and partial Packs for specific Instant Games as a condition of Retailer participation in sales contests.

D. Lost or Stolen Instant Tickets:

1. The Retailer shall report all stolen Instant Tickets to the NCEL within 24 hours of discovery. **In addition, the Retailer shall file a police report for the stolen Tickets within 24 hours and forward a copy to the NCEL within 14 calendar days of the initial report of the theft to the NCEL.**
2. For Activated Packs, the Retailer shall be responsible for lost or stolen Instant Tickets and may be charged the full price of the Tickets, minus any applicable Commissions. In the event that some or all of the stolen Activated Packs are recovered in a condition capable of redistribution, the Retailer will be reimbursed on a pro rata basis.
3. For Non-activated Instant Tickets, the Retailer shall be responsible for \$10.00 per pack of lost or stolen Instant Tickets.
4. The Retailer must have a valid Retailer Contract with the NCEL, be an active Retailer, and be current on all funds due to the NCEL in order to qualify for any reimbursement for stolen Instant Tickets not recovered.

E. Damaged Instant Tickets:

1. If Instant Tickets are damaged in transit to the Retailer, the Retailer shall report the damage to the NCEL within 24 hours after confirmation of delivery to be considered for credit. (A POLICE REPORT IS NOT REQUIRED FOR DAMAGED INSTANT TICKETS.) The NCEL will accept the return of all Tickets damaged in shipment whenever possible.
2. The Retailer shall be responsible for any Activated Instant Tickets damaged after delivery and will be charged the full price of the Tickets less any applicable Commissions.

**INSTANT GAME RULES**

A. Sale of Instant Tickets:

1. Only Retailers who have entered into a Retailer Contract with the NCEL, and have been approved by the NCEL, in the NCEL's sole discretion, for the sale of Instant Games, are authorized to sell Instant Tickets. Instant Tickets may only be sold:
  - a. At the Retailer Business Location(s) listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Instant Games; and
  - b. At the Retailer Business Location where each Instant Ticket Pack is assigned by the NCEL and accepted by the Retailer.
2. Each Instant Ticket shall sell for the retail sales price authorized by the Executive Director and stated in the individual Working Papers.

B. Determination of Prize Winner:

1. The Play Symbols shall be used by a player to determine eligibility for Instant Game prizes. Qualifying Play Symbols are stated in the Working Papers.
2. A player's eligibility to win a prize is subject to the Ticket validation requirements provided in subsection (C) below.
3. For each individual Instant Game, the player shall uncover the Play Area on the front of the Ticket to reveal the Play Symbols. Eligibility to win a prize is based on the approved Play Style as stated in the Working Papers.

C. Ticket Validation Requirements:

1. Each Instant Ticket shall be validated according to validation procedures prior to payment of a prize.
2. Each Instant Ticket shall comply with all of the following:
  - a. The Ticket shall not be stolen or appear on any list of omitted Tickets on file with the NCEL.
  - b. The Ticket shall not be counterfeit or forged, in whole or in part.



- c. The Ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.
  - d. The Ticket shall have been issued by the NCEL in an authorized manner.
  - e. The Ticket shall have been received or recorded by the NCEL by applicable redemption deadlines.
  - f. The Ticket shall pass the confidential validation and security tests appropriate to the applicable Play Style.
  - g. The Validation Number of an apparent winning Ticket shall appear on the NCEL's official file of Validation Numbers of winning Tickets. A Ticket with that Validation Number shall not have been paid previously.
  - h. The Ticket shall be intact, and not miscut, and have exactly one Play Symbol and exactly one Caption in each of the rub-off spots, exactly one Pack Number, exactly one Ticket Number, exactly one Retailer Validation Code, and exactly one Validation Number on the Ticket.
  - i. The Game Number, Pack Number, Ticket Number, and Validation Number must be present in their entirety and be fully legible. The Validation Number shall correspond, using the NCEL's codes, to the Play Symbols on the Ticket.
  - j. The Play Symbols, Caption, Validation Number, Retailer Validation Code, Pack Number, and Ticket Number must be right side up and not reversed in any manner.
  - k. The Ticket must not be blank or partially blank, mis-registered, defective, or printed or produced in error.
  - l. Each of the Play Symbols on the Instant Game Ticket must be exactly one of those described in that Instant Game's Working Papers and each of the Captions must be exactly one of those described in the same Working Papers.
  - m. Each of the Play Symbols on the Ticket must be printed in the correct symbol font and correspond precisely to the artwork on file at the NCEL. Each of the Captions must be printed in the Caption font and must correspond precisely to the artwork on file at the NCEL. The Retailer Validation Code must be printed in the Retailer Validation Code font and must correspond precisely to the artwork on file at the NCEL. The Validation Number must be printed in the Validation Number font and must correspond precisely to the artwork on file at the NCEL.
  - n. The display printing must be regular in every respect and correspond precisely with the artwork on file at the NCEL.
3. Any Ticket not passing all of the validation tests and requirements is void and ineligible for any prize and shall not be paid. The Executive Director may, at Executive Director's exclusive determination, reimburse the player for the cost of the void Ticket.

4. If a defective Ticket is purchased, the NCEL's only liability shall be reimbursement for the cost of the void Ticket.

D. Ticket Responsibility:

1. A Ticket is a bearer instrument until signed on the back by the Ticket holder.
2. The NCEL shall not be responsible for lost, stolen, or destroyed Tickets.
3. The NCEL shall not be responsible for erroneous or mutilated Tickets.
4. The NCEL shall not be responsible for Tickets claimed by a player in error for a lower prize at a Retailer.
5. The NCEL shall not pay prizes to any Claimant who purchases a Ticket from an unauthorized Retailer.
6. The NCEL shall pay a prize to only one individual or entity.

E. Disputed Ticket:

If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the Executive Director may, exclusively at his/her determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy.

F. End of Game and Prize Claim Period:

1. The Executive Director, at any time, may establish the End of Game date for an individual Instant Game or series of Instant Games.
2. The NCEL Sales Representatives will be directed to contact all Retailers in order to have the Retailers properly account for and return for credit the unsold Instant Tickets from each discontinuing Instant Game on or before the corresponding End of Game date. Instant Tickets not returned will be charged to the Retailer.
3. Instant Game prizes shall be redeemed or claimed no later than ninety (90) days after the End of Game date of the individual Instant Game; thereafter, no claims shall be honored by the NCEL.
4. When the End of Game date for an individual Instant Game or series of Instant Games has been established, the NCEL sales and marketing department shall prepare and distribute an End of Game flyer to all NCEL Retailers announcing the names of Instant Games which are ending, End of Game date, and last day to redeem date.
5. When the End of Game date for an individual Instant Game or series of Instant Games has been established, the NCEL legal department shall prepare and publish, beginning on or before the End of Game date, a newspaper ad or a legal notice announcing the names of the Instant Games which are ending, the End of Game date for each such Instant Game, and the last date upon which prizes for each such Instant Game may be redeemed or claimed.

G. Governing Law:

In purchasing a Ticket, the customer or player agrees to comply with, and abide by, the Act, other applicable North Carolina laws, all Rules and Regulations and final decisions of the NCEL, and all procedures and instructions established by the NCEL or the Executive Director for the conduct of the game.

H. Purchase and Prize restrictions:

No Instant Game Ticket may be purchased by and no prize shall be paid to any member of the Commission; any officer or employee of the NCEL; or any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person. Nor shall any Ticket be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor of any Vendor, or any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person.

I. Taxes and Setoffs:

In accordance with the Act and other applicable laws:

1. All prizes are subject to applicable federal and state withholdings, and state and federal income taxes; and
2. Prizes of \$600.00 and above are subject to Debt Setoff collection by claimant agencies.

J. Game report:

Following the time period in which prizes may be claimed after the End of Game date, the NCEL shall prepare a report that shows, at a minimum, the total number of Tickets sold and the number of prizes awarded in the game. The report shall be made available for public inspection.

K. Coordination of Instant Game Rules and On-Line Game Rules:

If and when there is an issue or topic relevant to the Instant Game Rules and Regulations, which is addressed in the On-Line Game Rules and Regulations, but which is not addressed in the Instant Ticket Game Rules and Regulations, then the provisions of the On-Line Game Rules and Regulations shall apply equally to the Instant Games for such issue or topic; however, in no case shall an Instant Game winner be allowed the option to receive in a lump sum the cash value equivalency in lieu of an annuitized prize unless that option is specifically provided for in the respective Instant Game Working Papers.

## **GRAND PRIZE DRAWING RULES**

This section shall not apply to individual Instant Games that do not provide for a Grand Prize Drawing.

- A. Eligibility for a Grand Prize Drawing shall be determined by, but not limited to, a direct entry in a Grand Prize Drawing or an entry into a Preliminary Drawing as provided in the Draw Procedures established by the NCEL. The Executive Director shall determine any prizes to be awarded and the method of payment that shall be stated in the Draw Procedures.

- B. Preliminary Drawings and Grand Prize Drawings shall be conducted at times and places and pursuant to the methods stated in the Draw Procedures.
- C. An entry in a Preliminary Drawing or Grand Prize Drawing submitted by a player in accordance with the applicable Draw Procedures is eligible to be included in a drawing as provided in the Draw Procedures.
- D. Entries in Preliminary Drawing or Grand Prize Drawing shall be delivered to the address designated in the Draw Procedures no later than the last day of the time frame specified in the Draw Procedures.
- E. The number of Preliminary Drawing and Grand Prize Drawing winners selected to advance or to win a prize shall be specified in the Draw Procedures. The odds of winning an entry into these drawings for a prize of a specific amount need not be uniform throughout the game and are subject to change by the Executive Director.
- F. Each Grand Prize Drawing finalist shall submit a completed Claim Form and the winning Ticket to the NCEL within the required claim filing period. Failure to submit these items within the claim filing period and failure to have a Valid Ticket shall be cause for ineligibility to the Grand Prize Drawing.
- G. Each Grand Prize Drawing finalist will be notified by the NCEL of the date of his/her appearance at the Grand Prize Drawing.
- H. If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the Executive Director may exclusively at his/her determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy.

## 8.04 – ONLINE TICKET GAME RULES

### **SCOPE**

The On-Line Game Rules and Regulations contain specific rules, regulations, procedures, instructions and directives which apply to On-Line Games developed and offered for distribution and sale to the public by the North Carolina Education Lottery (NCEL), created pursuant to the North Carolina State Lottery Act. The NCEL will from time to time amend these Rules and Regulations and adopt new Rules and Regulations that pertain to all On-Line Games and that pertain to game specific items for each On-Line Game. The Multi-State Lottery Association (MUSL) Rules and Powerball (PB) group rules as applicable are incorporated herein by reference. In the event of a conflict among the Act, the On-Line Game Rules and Regulations, and the Retailer Contract, the Act will govern the On-Line Game Rules and Regulations, and the On-Line Game Rules and Regulations will govern the Retailer Contract.

### **DEFINITIONS** *(see appendix A)*

Capitalized terms used herein shall have the meanings set forth in Appendix A attached hereto, unless otherwise defined in context.

### **GENERAL RULES**

- A. If the NCEL, in its sole discretion, has authorized a Retailer to sell Tickets for On-Line Games at one or more of its Retailer Business Locations, in addition to all provisions, terms and conditions of the Act, other Rules and Regulations, and the Retailer Contract, the On-Line Game Rules and Regulations herein shall apply to all On-Line Games. To the extent of any inconsistency between the Retailer Contract and the Retailer Rules and Regulations found in Chapter 8.01 of the NCEL Policies and Procedures Manual, the On-Line Game Rules and Regulations shall govern the On-Line Games.
- B. Only Retailers who have entered into a Retailer Contract with the NCEL, and have been approved by the NCEL, in the NCEL's sole discretion, for the sale of On-Line Games, are authorized to sell On-Line Game Tickets. On-Line Game Tickets may only be sold at the Retailer Business Location(s) listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for On-Line Games. Each Retailer Business Location shall offer for sale Tickets for all On-Line Games that are authorized for sale by the NCEL at each such individual Retailer Business Location.
- C. NCEL will install an On-Line Game lottery terminal at each of the Retailer Business Locations listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for On-Line Games.
- D. Retailer shall pay a \$15.00 per week service fee for each installed On-Line Game lottery terminal, or as otherwise stated in the Retailer Rules at Section 8.01.
- E. By signing the Retailer Contract, Retailer acknowledges and agrees that it is responsible for making or having made, and bearing all costs associated therewith, any and all necessary or appropriate modifications to its telecommunications systems or facilities which are reasonably requested by NCEL to facilitate the installation, operation and maintenance of any lottery related equipment.
- F. Retailer shall provide approximately 2 feet by 4 feet of floor space at its business premises, which is acceptable to NCEL, for a free-standing play station. Retailer further

agrees to provide a space at least 20 inches wide, 30 inches deep, and 30 inches high, which is acceptable to NCEL, for its On-Line Game lottery terminal(s) to allow proper ventilation, maintenance and material loading and removing.

- G. Retailer agrees that it shall be responsible for all expenses including telecommunications charges associated with all Retailer requested terminal and/or monitor relocations.
- H. Retailer shall sell On-Line Game Tickets, for any and /or all On-Line Games as authorized and directed by the NCEL, at each of the Retailer Business Locations listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for the respective On-Line Games.
- I. Retailer must meet or exceed the NCEL's minimum weekly sales average as may be established by the NCEL, in accordance with the Rules and Regulations, as may be amended from time to time, in order to retain possession and use of the On-Line Games lottery terminal and/or monitor.
- J. Sale of On-Line Game Tickets
  - 1. Each On-Line Game Ticket shall sell for the retail sales price authorized by the Executive Director and stated in the individual Game Procedures. Subject to the laws and regulations governing the NCEL, Retailers may authorize the sale of On-Line Game Tickets at a discount for promotional purposes, provided that such discounted sales shall be reported to the NCEL at full gross sales value.
  - 2. Retailers shall sell lottery Tickets for any and all On-Line Games, as directed by the NCEL.

K. Game Procedures

The Game Procedures for each On-Line Game shall contain the following information:

- 1. game name;
- 2. Prize Structure;
- 3. Play Style;
- 4. retail sales price;
- 5. frequency of games and drawings and selection of winning tickets or shares;
- 6. means of conducting drawing.

L. Ticket Validation Requirements

- 1. Each On-Line Game Ticket shall be validated according to validation procedures prior to payment of a prize.
- 2. An On-Line Game ticket shall comply with all of the following:
  - a. The Ticket shall not be counterfeit or forged, in whole or in part.
  - b. The Ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.

- c. The Ticket shall have been issued by the NCEL in an authorized manner.
  - d. The Ticket shall have been received or recorded by the NCEL by applicable deadlines.
  - e. In addition to the validation requirements, an On-Line Game Ticket shall not be valid unless all of the following conditions are met:
    - i. The Ticket data shall have been recorded on the central computer system on magnetic tape or disk prior to the drawing and the Ticket data shall match this computer record in every respect;
    - ii. The player's numbers, the Security Code data and the drawing data of the Ticket shall appear on the official file of winning Tickets, and a Ticket with that exact data shall not have been previously paid.
  - f. The game, Ticket, and Security Code(s) must be present in their entirety and be fully legible.
  - g. The play type, Security Code, Retailer code, number, and Ticket stock number must be correctly displayed on the Ticket.
  - h. The Ticket must not be blank or partially blank, mis-registered, defective, or printed or produced in error.
  - i. A lottery Ticket shall be the only valid proof of the Play and the only valid instrument for claiming a prize.
- 3. Any Ticket not passing all of the validation tests and requirements is void and ineligible for any prize and shall not be paid. The Executive Director may make an exclusive determination to reimburse the player for the purchase price of the void Ticket.
  - 4. If a defective Ticket is purchased, the NCEL's only liability shall be reimbursement for the purchase price of the void Ticket.
  - 5. The final determination on validation rests with the Executive Director.
  - 6. Any person who submits a lottery Ticket for validation or who claims a prize, in whatever capacity, agrees to be bound and shall be bound by the provisions of the NCEL's On-Line Game Rules and Regulations.

#### M. Ticket Responsibility

- 1. The purchaser of an On-Line Game Ticket shall be solely responsible for verifying, at the time of purchase, the accuracy, legibility and condition of the data printed on the Ticket, and for determining that the Ticket accurately reflects the Play.
- 2. A Ticket is a bearer instrument until signed on the back by the Ticket holder.
- 3. The NCEL shall not be responsible for lost, stolen, or destroyed Tickets.

4. The NCEL shall not be responsible for erroneous or mutilated Tickets.
5. The NCEL shall not be responsible for Tickets claimed by a player in error for a lower prize at a Retailer.
6. The NCEL may not pay prizes to any Claimant who purchases a Ticket from an unauthorized retailer.
7. Exchange Tickets issued pursuant to a cashed multi-draw Play shall not be canceled.
8. The Executive Director shall not pay a prize on any canceled or voided On-Line Game Ticket.

N. Disputed Ticket

If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the Executive Director may exclusively make a determination to reimburse the Claimant for the purchase price of the disputed Ticket. This shall be the Claimant's exclusive remedy.

O. Game Termination and Prize Claim Period

1. The NCEL, at any time, may announce the termination date for an individual On-Line Game. If this occurs, no Tickets shall be sold past the termination date.
2. On-Line Game Prizes shall be claimed no later than 180 days after the drawing date of the individual On-Line Game.
3. The NCEL reserves the right to decline to accept a Play.

P. Governing Law

1. In purchasing a Ticket, the customer or player agrees to comply with, and abide by, the        Act, other applicable North Carolina laws, all Rules and Regulations and all final decisions of the NCEL, and all procedures and instructions established by the NCEL or the Executive Director for the conduct of the respective game.

Q. Annuitized Prizes

Subject to any contrary provisions of these Rules and Regulations that only concern Grand Prize Payments for Powerball, the following rules also shall apply to Annuitized prizes:

1. If the annuitized value of the payment to each winner is less than one million dollars (\$1,000,000.00), at the discretion of the Executive Director each winner may receive his/her share of money allocated to the Jackpot prize pool in a lump sum payment.
2. The NCEL may elect to fund annuitized prize payments directly, through purchase of annuities or by other means.
3. The initial payment of an annuitized prize may be delayed for up to thirty (30) calendar days following the final determination by the Executive Director that the claim is valid.



R. Acceleration of Prize Payments

Unless otherwise provided in the Rules and Regulations, with the exception of Powerball, no payment of an Annuitized prize shall be accelerated beyond the normal dates of payment.

S. Dissemination of Winning Numbers Information

The dissemination and publication of winning numbers by telephone or in the media is for informational purposes only, and the NCEL shall not pay a prize based upon information obtained from winning number information lines or any source other than the official draw results electronically recorded in the central computer system.

T. Drawings

1. The Executive Director shall determine the time, frequency, date and method of the drawing(s) for each On-Line Game and shall include such information in the Game Procedures.
2. The purpose of On-Line Game drawings shall be to select winning numbers at random with the aid of mechanical drawing equipment or with the aid of computer drawing equipment and programs.
3. All On-Line Game drawings shall be witnessed by an independent certified public accountant.
4. Any equipment used in the drawings shall be inspected by the independent certified public accountant and an employee of the Commission both before and after the drawings.
5. On-Line Game drawings shall be recorded on a video and audio tape, but failure to record the draw totally or in part due to electronic or mechanical malfunctions shall not invalidate the draw or change the outcome of a game once it has been announced by the Executive Director.

U. Method of Playing an On-Line Game

1. The Executive Director shall determine the method of play for each game, including but not limited to:
  - a. indicating the requisite digits or numbers which shall be entered manually into the lottery terminal by the On-Line Game Retailer; or
  - b. presenting a completed Play Slip to an On-Line Game Retailer; or
  - c. requesting a Quick Pick .
2. Game instructions issued to Retailers and made available to the public shall include the method of play.

V. Play Slip

1. The NCEL, or its authorized distributors, may provide Play Slips at no cost to the players.

2. Play Slips are provided solely for the convenience of players and shall have no monetary or prize value or constitute evidence of a Play.
3. If a Play Slip is used, the player shall select the requisite numbers for each single lettered Panel for that game.
4. The requisite numbers and the associated letter constitute a single game Panel on a Play Slip.
5. Play Slips shall be processed through the lottery terminal by the Retailer, and Tickets shall be issued only through the lottery terminal.
6. If the Play Slip is rejected by the lottery terminal, the Play is not valid and the player may submit another Play Slip.
7. All Play Slips must be filled out by hand. Play Slips filled out by any mechanical and computerized means will not be accepted nor will any prizes be paid as a result of Play Slips filled out in this manner.

## **POWERBALL PROCEDURE**

- A. The purpose of Powerball is the generation of revenue for Party Lotteries through the operation of a specially-designed multi-state lottery game that will award prizes to ticket holders matching specified combinations of numbers randomly selected in regularly scheduled drawings.
- B. During each Powerball drawing, six (6) Powerball Winning Numbers will be selected from two (2) fields of numbers in the following manner: five (5) winning numbers from a field of one (1) through fifty-five (55) numbers, and one (1) winning number from a field of one (1) through forty-two (42) numbers.

- C. Definitions (for Powerball only)

Capitalized words and terms set forth below, when used within this document known as Powerball Official Game Rules (hereinafter "Powerball Rules") shall have the following meaning unless otherwise indicated:

**Authorized Claim Center** - Any Powerball Retailer, or Party Lottery office, in the state where the winning Official Powerball Ticket was purchased.

**Cash Option** – The manner in which the Powerball Grand/Jackpot Prize may be paid in a single payment.

**Claimant** - Any person or (where permitted) entity submitting a claim form within the required time period to collect a prize for an Official Powerball Ticket. A Claimant may be the Purchaser, the person or (where permitted) entity named on a signed Official Powerball Ticket, the bearer of an unsigned Official Powerball Ticket, or any other person or (where permitted) entity who may seek entitlement to a Powerball prize payment in accordance with the Powerball Rules and Party Lottery governing laws, policies and rules. No Claimant may assert rights different from the rights acquired by the original Purchaser at the time of purchase.

**Director(s)** - The chief officers of the Party Lotteries or any other persons to whom the Directors' authority is lawfully delegated.

**Official Powerball Ticket** - A game ticket, produced on official paper stock by a Powerball Retailer in an authorized manner, bearing player or computer selected numbers, game name, drawing date, amount of wager, and validation data.

**Party Lottery or Lotteries** - One or more of the states who are members of the Multi-State Lottery Association and authorized to sell official Powerball Tickets. .

**Prize Fund** - That portion of Powerball gross sales set aside for the payment of prizes. The Prize Fund for any drawing is expected to be 50% of sales, but may be higher or lower based upon the number of winners at each fixed prize level, as well as the funding required to meet the advertised jackpot.

**Purchaser(s)** - Player(s) of Powerball who purchase tickets in accordance with Powerball Rules and Party Lottery governing laws, policies and rules.

**Quick Pick, Auto Pick or Easy Pick** - A player option in which Powerball number selections are determined at random by computer software.

**Powerball Retailer** - A retail location licensed or contracted and equipped by its respective state lottery to sell Official Powerball Tickets.

**Powerball Panel or Play Area** - That area of an Official Powerball Ticket identified by an alpha character, A through E, containing one field of five (5) one or two-digit player or computer selected numbers, and a second field of one (1) one or two-digit player or computer selected number.

**Powerball Play/Bet Slip** - A computer-readable form, printed and issued by each Party Lottery, used in purchasing an Official Powerball Ticket, having up to five (5) separate play areas, with each play area consisting of two (2) fields. The first field contains fifty-five (55) areas/spaces numbered one (1) through fifty-five (55); the second field contains forty-two (42) areas/spaces numbered one (1) through forty-two (42). The Play/Bet Slip may additionally include boxes for selection of Cash Option or Annuity Option, at the discretion of each Party Lottery.

**Powerball Winning Numbers** - Five (5) one or two digit numbers, from one (1) through fifty-five (55) and one (1) one or two-digit numbers from one (1) through forty-two (42), randomly selected at each Powerball drawing, which shall be used to determine winning Powerball plays contained on Official Powerball Tickets.

**PowerPlay** - a feature that gives players the opportunity to multiply their potential winnings by 2, 3, 4, or even 5 times the original amount (excluding the jackpot and Match 5 Bonus prizes).

D. Ticket Sales

The sale of Official Powerball Tickets may be conducted only by such locations as the Directors shall contract with and/or license pursuant to the governing laws, policies and rules of the Party Lotteries and the Powerball Rules.

Where permitted by the governing laws, policies or rules of a Party Lottery, the Director of the Party Lottery may authorize Purchasers to make Advance Purchases of Official Powerball Tickets. Advance Purchases will be subject to the policies, procedures and rules established by the Party Lottery selling the Advance Purchase, subject to the following parameters and restrictions:

1. The maximum number of consecutive drawings encompassed by Multidraw Purchase is fifty-two (52).
2. In the event the Directors authorize a matrix change for Powerball, Advance Purchasers will be granted the option, by the Party Lottery which issued the Advance Purchase, to retain or change the Purchaser's previously selected numbers on the balance of their Advance Purchase, effective as of the date of the matrix change. The Purchasers, however, will not be granted a refund for the balance of plays on their Advance Purchase.
3. Game play information for an Advance Purchase may be edited by a Party Lottery only when an error in the numbers entered has been identified, a change in the frequency of drawings occurs, or a change in the game matrix occurs. An Advance Purchase may be edited to correct an error in the numbers entered before the time of the first drawing for which the Advance Purchase is effective. (Liability for any number entered in error is limited to the state lottery that entered the number in error.) For a change in the game matrix, or for errors in the numbers entered which are identified AFTER the first drawing under the Advance Purchase, the Party Lottery may correct the Advance Purchase game play

prospectively for the remaining number of draws on the Advance Purchase. The only other condition under which an Advance Purchase game play may be edited is to correct the Advance Purchase end date if the Directors authorize a change in the frequency of Powerball drawings.

E. Ticket Price

1. Official Powerball Tickets may be purchased for \$1.00, per play, or multiples thereof in the case of a multi-draw wager, in accordance with the rules of the state in which the wager is placed, at the discretion of the Purchaser. The Purchaser receives one play for each \$1.00 wagered in Powerball.
2. The PowerPlay option may be purchased for an additional \$1.00, per play, or multiples thereof in the case of a multi-draw wager, in accordance with the rules of the state in which the wager is placed, at the discretion of the Purchaser.
3. Subject to the laws and regulations governing each Party Lottery, the Directors may collectively authorize the sale of Official Powerball Tickets at a discount for promotional purposes. Individual Directors may authorize sale of Official Powerball Tickets at a discount for promotional purposes within their respective jurisdictions, provided that such discounted sales shall be reported to the Party Lotteries at full gross sales value.

F. Play Characteristics and Restrictions

1. Official Powerball Tickets may not be purchased in any other Party Lottery state by any Party Lottery board member or commissioner. Official Powerball Tickets may not be purchased in North Carolina by any NCEL employee, or any spouse, child, or parent residing in the same household of any such employee.
2. Under no circumstances will a claim be paid for either the Grand/Jackpot Prize, the Second Level Prize, or the Third Level Prize without an Official Powerball Ticket matching all game play, serial number and other validation data residing in the selling Party Lottery's on-line gaming system computer and such ticket shall be the only valid proof of the wager placed and the only valid receipt for claiming or redeeming any prize.
3. Official Powerball Tickets may not be canceled.
4. Purchasers may submit a manually completed Powerball Play Slip to a Powerball Retailer to have issued an Official Powerball Ticket. Powerball Play Slips shall be available at no cost to the Purchaser and shall have no pecuniary or prize value, or constitute evidence of purchase or number selections. The use of mechanical, electronic, computer generated or any other non-manual method of marking Play Slips is prohibited.
5. Purchasers may orally convey their selections to a Powerball Retailer to have issued an Official Powerball Ticket. Such selections shall be manually entered into the computer terminal by the Powerball Retailer.
6. It shall be the sole responsibility of the Purchaser to verify the accuracy and condition of the data printed on the Official Powerball Ticket at the time of purchase.
7. Where permitted by the governing laws, policies and rules of a Party Lottery, Official Powerball Tickets may, at the Purchaser's discretion, be purchased for

one (1) through fifty-two (52) consecutive drawings commencing with the next scheduled drawing.

G. Time of Drawing

Powerball drawings shall be conducted at 10:59 p.m. Eastern Time (9:59 p.m. Central Time, 7:59 p.m. Pacific Time). Powerball drawings shall be conducted on both Wednesday and Saturday at the designated time.

H. Powerball Prize Structure

1. Matrix of 5/55 and 1/42 with 50% Anticipated Prize Fund Match

Match Field 1	Match Field 2	Odds	Prize Category
5	1	1:146,107,962	Grand
5	0	1:3,563,608.83	Second
4	1	1:584,431.85	Third
4	0	1:14,254.44	Fourth
3	1	1:11,927.18	Fifth
3	0	1:290.91	Sixth
2	1	1:745.45	Seventh
1	1	1:126.88	Eighth
0	1	1:68.96	Ninth
Reserve			
Totals		1:36.6	

2. Grand/Jackpot Prize Payments

- a. Prior to each drawing, the Directors shall determine the Grand/Jackpot Prize amount to be advertised. The advertised Grand/Jackpot Prize amount shall be the basis for determining the amount to be awarded to each winner(s), equally divided by the number of tickets with Powerball Panels matching all five (5) of the Powerball Winning Numbers drawn for Field 1 and the one (1) Powerball Winning Number drawn for Field 2. No Annuitized Grand/Jackpot Prize, as payable to the single winner of a drawing, shall be less than \$15 million.
- b. Grand prizes shall be paid, at the election of the player made no later than 60 days after the player becomes entitled to the prize, with either a per winner annuity or cash payment. An election made after the winner becomes entitled to the prize is final and cannot be revoked, withdrawn or otherwise changed.
- c. If, in any Powerball drawing there are no Powerball Panels which qualify for the Grand/Jackpot Prize category, the portion of the Prize Fund allocated to such Grand/Jackpot Prize category shall remain in the Grand/Jackpot Prize category and be added to the amount allocated for the Grand/Jackpot Prize category in the next consecutive Powerball drawing.
- d. If the Annuitized Grand/Jackpot Prize divided by the number of Powerball Panels matching all five (5) of the five (5) Powerball Winning Numbers for Field 1 and the one (1) Powerball Winning Number for Field 2 is equal to or greater than \$1,000,000, the Grand/Jackpot Prize(s) will

be paid under the Annuity Option, unless a Cash Option was offered to and accepted by the Grand/Jackpot Prize Claimant as prescribed in the statutes, administrative rules and regulations, or procedures of the Party Lottery selling the winning Official Powerball Ticket. If no declaration is made by close of business on the 60<sup>th</sup> day after the prize has been claimed, the prize MUST be paid under the Annuity Option. If a Cash Option is offered by the Party Lottery selling a Grand/Jackpot Prize winning ticket, no Grand/Jackpot Prize payment will be processed until the Claimant submits a form irrevocably selecting a payment option, or the 60-day selection period lapses, whichever shall first occur.

- e. Annuity Option Grand/Jackpot Prizes shall be paid in thirty (30) installments by the Party Lottery, which sold the winning Official Powerball Ticket. The initial payment shall be paid upon completion of internal validation procedures. The subsequent twenty-nine (29) payments shall be paid annually to coincide with the month of the federal auction date at which the bonds were purchased. All such payments shall be made within seven (7) days of the anniversary of the actual auction date.
- f. Cash Option Grand/Jackpot Prizes, if offered, shall be paid in a single payment upon completion of internal validation procedures. The Cash Option amount offered may be either the amount determined by multiplying the annuitized prize amount by a discount value set by Powerball Finance Committee prior to each drawing (the "Cash Equivalent Grand/Jackpot Prize"), divided by the number of Grand/Jackpot Prize winners, or the proceeds of the sale of bonds purchased to fund the particular winner's share of the Annuitized Grand/Jackpot Prize amount, at the discretion of the Party Lottery which sold the winning Official Powerball Ticket. Unless otherwise prohibited by the rules of the Party Lottery of the state in which the Official Powerball Ticket was purchased, the Claimant has until the close of business on the 60<sup>th</sup> day after the date the Claimant becomes entitled to the prize (as defined by the Party Lottery which sold the Official Powerball Ticket) to select the Cash Option Grand/Jackpot Prize method of payment. No payment will be processed under the Cash Option Grand/Jackpot Prize provision until the Claimant submits a form irrevocably selecting said payment option.
- g. In the event multiple Powerball Panels match all five (5) of the five (5) Powerball Winning Numbers for Field 1 and the one (1) Powerball Winning Number for Field 2, and the Annuitized Powerball Grand/Jackpot Prize divided by the number of winning game panels is less than \$1,000,000, each Powerball Grand/Jackpot Prize winner shall be paid an amount equal to the Cash Equivalent Grand/Jackpot Prize divided equally by the number of Grand/Jackpot Prize winners. Each such Grand/Jackpot Prize winner will be paid in a single cash payment.

3. Second through Ninth Level Prizes

- a. Powerball Panels matching five (5) of the five (5) Powerball Winning Numbers drawn for Field 1, but not matching the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Second Prize of \$200,000\*.

- b. Powerball Panels matching four (4) of the five (5) Powerball Winning Numbers drawn for Field 1 and the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Third Prize of \$10,000\*.
- c. Powerball Panels matching four (4) of the five (5) Powerball Winning Numbers drawn for Field 1 but not matching the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Fourth Prize of \$100\*.
- d. Powerball Panels matching three (3) of the five (5) Powerball Winning Numbers drawn for Field 1 and the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Fifth Prize of \$100\*.
- e. Powerball Panels matching three (3) of the five (5) Powerball Winning Numbers drawn for Field 1 but not matching the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Seventh Prize of \$7.
- f. Powerball Panels matching two (2) of the five (5) Powerball Winning Numbers drawn for Field 1 and the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Sixth Prize of \$7.
- g. Powerball Panels matching one (1) of the five (5) Powerball Winning Numbers drawn for Field 1 and the Powerball Winning Number drawn for Field 2 shall be entitled to receive an Eighth Prize of \$4.
- h. Powerball Panels matching no numbers (0) of the five (5) Powerball Winning Numbers drawn for Field 1 but matching the Powerball Winning Number drawn for Field 2 shall be entitled to receive a Ninth Prize of \$3.
- i. Each Powerball Second through Ninth prize shall be paid in one payment.

\*Should total prize liability exceed 300% of draw sales or 50% of draw sales plus \$50,000,000, whichever is less (both hereinafter referred to as the "Liability Cap"), the Second through Fifth prizes shall be paid on a Pari-Mutuel rather than fixed prize basis, provided, however, that in no event shall the Pari-Mutuel prize be greater than the fixed prize. The amount to be used for the allocation of such Pari-Mutuel prizes shall be the liability cap less the amount paid for the Grand/Jackpot Prize and prize levels Six through Nine.

- 4. In a single drawing, a Claimant may win in only one prize category per single Powerball Panel in connection with Powerball Winning Numbers, and shall be entitled only to the highest prize.
- 5. All prizes, except for the Grand/Jackpot Prize, are multiplied by the PowerPlay number. The bonus pool amount is not multiplied by the PowerPlay number.
- 6. For purpose of prize calculation with respect to any Powerball Pari-Mutuel prize, the calculation shall be rounded down so that prizes shall be paid in multiples of one dollar (\$1.00).

With respect to any Powerball Annuitized Grand Prize, the prize amount shall be rounded to the next highest affordable multiple of one million dollars, based upon market rates at the time of the purchase.



7. Subject to the laws and regulations governing each Party Lottery, the number of prize categories and the allocation of the Prize Fund among the prize categories may be changed at the discretion of the Directors, for promotional purposes. Such change shall be announced by public notice.

I. Ticket Validation Requirements

1. In order to be deemed a valid, winning, Official Powerball Ticket, all of the following conditions must be met:
  - a. The ticket data must have been recorded on the central computer system prior to the drawing and the ticket data must match this computer record in every respect. In the event of a contradiction between information as printed on the ticket and as accepted by the Party Lottery computer, the wager accepted by the Party Lottery computer shall be the valid wager;
  - b. The player or computer number selections, Security Code and the drawing date(s) of an apparent winning ticket must appear on the official file of winning tickets, and a ticket with that exact data must not have been previously paid;
  - c. The ticket must not be mis-registered, deceptively printed or printed or produced in error to an extent that it cannot be processed by the Party Lottery that issued the ticket;
  - d. The ticket must pass validation tests using a minimum of three (3) of the five (5) validation methods as defined in the Powerball Finance and Operations Procedures, Section 15. In addition the ticket must pass all other confidential security checks of the Party Lottery that issued the ticket;
  - e. In submitting an Official Powerball Ticket for validation, the Claimant agrees to abide by applicable laws, all rules and regulations, instructions, conditions and final decisions of the Director of the Party Lottery that issued the ticket;
  - f. There must not be any other breach of these Powerball Rules in relation to the ticket which, in the opinion of the Director of the Party Lottery that issued the ticket, justifies invalidation.
  - g. The ticket must be submitted to the Party Lottery that issued it.
2. An Official Powerball Ticket submitted for validation which fails any of the preceding validation conditions shall be considered void, subject to the following determinations:
  - a. In all cases of doubt, the determination of the Director of the Party Lottery, which sold the Official Powerball Ticket, shall be final and binding; however, the Director may, at his/her option, replace an invalid ticket with an Official Powerball Ticket of equivalent sales price;
  - b. In the event a defective ticket is purchased or in the event the Director determines to adjust an error, the sole and exclusive remedy shall be the

replacement of such defective or erroneous ticket(s) with an Official Powerball Ticket of equivalent sales price;

- c. In the event an Official Powerball Ticket is not paid by a Party Lottery and a dispute occurs as to whether the ticket is a winning ticket, the Party Lottery may, at its option, replace the ticket as provided in paragraph (a) of this subsection. This shall be the sole and exclusive remedy of the Claimant unless the laws or regulations governing the Party Lottery provide for further administrative review.

J. Procedure for Claiming and Payment of Prizes

1. Prizes shall be redeemed or claimed only in the jurisdiction where the Official Powerball Ticket was purchased and only through Powerball Retailers or other Authorized Claim Centers, effective upon determination of prize payouts, for a period of 180 days from the drawing date.
2. Claimants of a winning Official Powerball Ticket must comply with the prize claim requirements of the Party Lottery that issued the winning ticket.
3. In the event that a single Official Powerball Ticket contains two (2) or more winning game panels, the cumulative prize amount shall be claimed or redeemed in accordance with the specified prize payment limits for the Party Lottery that issued the winning ticket.
4. State, local and federal withholding taxes, where applicable, shall be withheld from Powerball prizes by the Party Lottery issuing a winning ticket in such amounts as may be required by law.
5. Powerball prizes shall not be paid to any person prohibited from playing Powerball in a particular Party Lottery state by Powerball Rules or by the governing law or rules of that Party Lottery or any contract executed by that Party Lottery.
6. There shall be no assignment of Powerball prizes except as set forth in the statutes or regulations of the Party Lottery which sold the winning Official Powerball Ticket.
7. Subject to the laws and regulations of the state of each Party Lottery relating to the disclosure of Powerball winners, and at the discretion of each Party Lottery where disclosure is permitted, the name and community of a winner may be disclosed in a press conference or in a press release and the winner may be required to participate in a press conference.

K. Unclaimed Prize Money

For winning Official Powerball Tickets for which no claim or redemption is made within the specified claim period for each respective Party Lottery, the corresponding prize monies shall be returned to the other Party Lotteries in accordance with procedures for the reconciliation of prize liability as, stated in the Finance and Operations Procedures for Powerball as agreed to by the Directors of the Party Lotteries.

L. Governing Law

1. In purchasing a ticket issued for Powerball, the Purchaser agrees to comply with and be bound by all applicable statutes, administrative rules and regulations, and

procedures of the individual state in which the ticket is issued, and by directives and determinations of the Director of that state's lottery. The Purchaser agrees that, as its sole and exclusive remedy, claims arising out of this ticket can be pursued only against the state of ticket purchase. Litigation, if any, shall only be maintained against the Party Lottery of the state of ticket purchase and within the state of ticket purchase.

2. In the event of conflict between these Powerball Rules and the statutes, rules or regulations of any Party Lottery, the Party Lottery's statutes, rules and regulations shall control.
3. All decisions made by the Directors of the Party Lotteries, including the declaration of prizes and the payment thereof and the interpretation of Powerball Rules, shall be final and binding on all Purchasers and on every person making a claim in respect thereof.

## **CAROLINA PICK 3 PROCEDURE**

- A. The purpose of Carolina Pick 3 is to generate revenue for the NCEL and ultimately, education programs in North Carolina through the operation of a specially-designed lottery game that will award prizes to ticket holders matching specified combinations of numbers randomly selected in daily drawings.
- B. During each Carolina Pick 3 drawing, a three-digit number between 000 and 999 will be selected.
- C. The sale and/or purchase of Carolina Pick 3 Tickets may be conducted only at such locations as the Director shall contract with and/or license and must comply with all governing laws, policies and rules of the NCEL.
- D. Play Characteristics and Restrictions
  - 1. A Play is defined as one three-digit number selection for a specific draw, for a specific amount, and a specific play type.
  - 2. Play types are as follows:
    - a. Exact- the player's three-digit number must match the winning three-digit number in the exact order drawn, that is the final resting position of the balls as they appear from the front of the drawing machine from left to right
    - b. Any- the player's three-digit number must match the winning three-digit number in any order drawn
    - c. 50/50- combines an Exact and Any play type on a single play
  - 3. Purchasers may submit a manually completed Carolina Pick 3 Play Slip to a Retailer to produce by the computer terminal an Official Carolina Pick 3 Ticket. Carolina Pick 3 Play Slips shall be available at no cost to the Purchaser and shall have no pecuniary or prize value, nor constitute evidence of purchase or number selections. The use of mechanical, electronic, computer generated or any other non-manual method of marking Play Slips is prohibited.
  - 4. Purchasers may orally convey their selections to a Retailer to have an Official Carolina Pick 3 Ticket produced, and such selections shall be manually entered into the computer terminal by the Retailer.
  - 5. It shall be the sole responsibility of the Purchaser to verify the accuracy and condition of the data printed on the Official Carolina Pick 3 Ticket at the time of purchase.
  - 6. Official Carolina Pick 3 Tickets may be canceled on the terminal at the Retailer that issued the Ticket within fifteen (15) minutes of its purchase or prior to the draw break, whichever occurs first.
  - 7. Each Play selected will be for the next scheduled drawing only, unless the Advance Play or Multi-Draw options are selected.

E. Ticket Price

Official Carolina Pick 3 Tickets may be purchased for 50¢ or \$1.00, per Play, depending on the play type, or multiples thereof in the case of an Advance or Multi-draw wager.

F. Multi-Draw

Players may enter multiple drawings of Carolina Pick 3. Multi-Draw will be subject to the policies, procedures and rules established by the NCEL, subject to the following parameters and restrictions:

1. The maximum number of consecutive drawings a player may enter using the Multi-Draw feature is seven (7), including the current draw.
2. In the event the Director authorizes a matrix change for Carolina Pick 3, Multi-Draw tickets will be honored. Prior to introducing a new matrix, the NCEL will incorporate a Multi-Draw step down feature that will reduce the Multi-Draw option from seven (7) to zero (0). The Purchasers, however, will not be granted a refund for the balance of plays on their Multi-Draw Purchase.
3. Game play information for a Multi-Draw Purchase may be edited when an error in the numbers entered has been identified, a change in the frequency of drawings occurs, or a change in the game matrix occurs. A Multi-Draw Purchase may be edited to correct an error in the numbers entered before the time of the first drawing for which the Multi-Draw Purchase is effective. For a change in the game matrix, or for errors in the numbers entered which are identified AFTER the first drawing under the Multi-Draw Purchase, the NCEL may correct the Multi-Draw Purchase game play prospectively for the remaining number of draws on the Multi-Draw Purchase. The only other condition under which a Multi-Draw Purchase game play may be edited is to correct the Multi-Draw Purchase end date if the Director authorizes a change in the frequency of Carolina Pick 3 drawings.
4. The Multi-draw option may be purchased for an additional 50¢ or \$1.00, per play per draw, or multiples thereof, at the discretion of the Purchaser.

G. Advance Play

Players may purchase tickets for specific future drawings of Carolina Pick 3, excluding the current drawing. Advance Play will be subject to the policies, procedures and rules established by the NCEL, subject to the following parameters and restrictions:

1. The maximum number of future drawings a player may enter using the Advance Play feature is six (6), commencing with the next scheduled drawing following the purchase.
2. In the event the Director authorizes a matrix change for Carolina Pick 3, Advance Play tickets will be honored. Prior to introducing a new matrix, the NCEL will incorporate an Advance Play step down feature that will reduce the Advance Play option from seven (7) to zero (0). The Purchasers, however, will not be granted a refund for the balance of plays on their Advance Play Purchase.
3. Game play information for an Advance Play Purchase may be edited when an error in the numbers entered has been identified, a change in the frequency of drawings occurs, or a change in the game matrix occurs. An Advance Play Purchase may be edited to correct an error in the numbers entered before the

time of the first drawing for which the Advance Play Purchase is effective. For a change in the game matrix, or for errors in the numbers entered which are identified AFTER the first drawing under the Advance Play Purchase, the NCEL may correct the Advance Play Purchase game play prospectively for the remaining drawings on the Advance Play Purchase. The only other condition under which an Advance Play Purchase may be edited is to correct the Advance Play Purchase end date if the Director authorizes a change in the frequency of Carolina Pick 3 drawings.

4. The Advance Play option may be purchased for an additional 50¢ or \$1.00, per play per draw, or multiples thereof, at the discretion of the Purchaser.

#### H. Time of Drawing

Carolina Pick 3 drawings shall be conducted seven days per week.

#### I. Carolina Pick 3 Prize Structure

The following table sets forth the probability of winning and the probable distribution of winners in and among each prize category, based upon the total number of possible combinations in Carolina Pick 3:

Play Type	Prize Amount for 50¢ Play	Prize Amount for \$1.00 Play	Odds 1 in:
Exact	\$250	\$500	1,000
3-Way Any	\$80	\$160	333.33
6-Way Any	\$40	\$80	166.67
50/50 3-Way	n/a	\$330 (Exact/ Any); \$80 (Any only)	333.33
50/50 6-Way	n/a	\$290 (Exact/ Any); \$40 (Any only)	166.67

#### J. Procedure for Claiming and Payment of Prizes

1. Prizes must be redeemed within 180 days from the drawing date.
2. Claimants of a winning Official Carolina Pick 3 Ticket must comply with all prize claim requirements of the NCEL.

#### K. Governing Law

In purchasing a ticket issued for Carolina Pick 3, the Purchaser agrees to comply with and be bound by all applicable statutes, administrative rules and regulations, and procedures of the State of North Carolina and the NCEL.

## **CAROLINA CASH 5 PROCEDURE**

- A. The purpose of Carolina Cash 5 is to generate revenue for the NCEL and ultimately, education programs in North Carolina through the operation of a specially-designed lottery game that will award prizes to ticket holders matching specified combinations of numbers randomly selected in daily drawings.
- B. During each Carolina Cash 5 drawing, five (5) Winning Numbers between 1 and 39 will be selected.
- C. The sale and/or purchase of Carolina Cash 5 Tickets may be conducted only at such locations as the Director shall contract with and/or license and must comply with all governing laws, policies and rules of the NCEL.
- D. Ticket Price
  - 1. Official Carolina Cash 5 Tickets may be purchased for \$1.00, per play, or multiples thereof in the case of a multi-draw wager. The Purchaser receives one play for each \$1.00 wagered in Carolina Cash 5.
  - 2. Subject to the laws and regulations governing the NCEL, Retailers may authorize the sale of Official Carolina Cash 5 Tickets at a discount for promotional purposes, provided that such discounted sales shall be reported to the NCEL at full gross sales value.
- E. Play Characteristics and Restrictions
  - 1. Official Carolina Cash 5 Tickets may not be canceled.
  - 2. Purchasers may submit a manually completed Carolina Cash 5 Play Slip to a Retailer to have issued an Official Carolina Cash 5 Ticket. Carolina Cash 5 Play Slips shall be available at no cost to the Purchaser and shall have no pecuniary or prize value, nor constitute evidence of purchase or number selections. The use of mechanical, electronic, computer generated or any other non-manual method of marking Play Slips is prohibited.
  - 3. Purchasers may orally convey their selections to a Retailer to have issued an Official Carolina Cash 5 Ticket, and such selections shall be manually entered into the computer terminal by the Retailer.
  - 4. It shall be the sole responsibility of the Purchaser to verify the accuracy and condition of the data printed on the Official Carolina Cash 5 Ticket at the time of purchase.
- F. Multi-Draw

Players may enter multiple drawings of Carolina Cash 5. Multi-Draw will be subject to the policies, procedures and rules established by the NCEL, subject to the following parameters and restrictions:

  - 1. The maximum number of consecutive drawings a player may enter using the Multi-Draw feature is twenty-eight (28), commencing with the next scheduled drawing following the purchase.

2. In the event the Director authorizes a matrix change for Carolina Cash 5, Multi-Draw tickets will be honored. Prior to introducing a new matrix, the NCEL will incorporate a Multi-Draw step down feature that will reduce the Multi-Draw option from twenty-eight (28) to zero (0). The Purchasers, however, will not be granted a refund for the balance of plays on their Multi-Draw Purchase.
3. The Multi-draw option may be purchased for an additional \$1.00, per play, or multiples thereof, at the discretion of the Purchaser.

G. Time of Drawing

Carolina Cash 5 drawings shall be conducted seven days per week.

H. Carolina Cash 5 Prize Structure

The following table sets forth the probability of winning and the probable distribution of winners in and among each prize category, based upon the total number of possible combinations in Carolina Cash 5:

Matches Per Ticket	Prize Amount	% of Prize Pool	Odds 1 in:
5 of 5	*Pari-mutuel	54.71%	575,757
4 of 5	*Pari-mutuel	14.76%	3,387
3 of 5	*Pari-mutuel	9.74%	103
2 of 5	\$1.00	20.79%	9.6
Totals		100%	8.8

I. Procedure for Claiming and Payment of Prizes

1. Prizes must be redeemed within 180 days from the drawing date.
2. Claimants of a winning Official Carolina Cash 5 Ticket must comply with all prize claim requirements of the NCEL.
3. Prizes for matching 5 of 5, 4 of 5, and 3 of 5 winning numbers are pari-mutuel; that is, the prize funds available for each prize level will be divided equally among the winners for that level, rounding the payment down to the nearest whole dollar. Any amount remaining due to rounding down to the nearest whole dollar, commonly called breakage, will be placed in a reserve fund to be allocated to future prize payments, as determined by the Executive Director. The prize for matching 2 of 5 is set at \$1.00. If the prize pool for that level is insufficient to pay each winner, the Executive Director may allocate excess funds from other prize pools or from the breakage reserve fund. If no player wins at a particular prize level, the prize money for that level will roll into the prize pool for that level's next drawing.
4. The minimum top prize for Carolina Cash 5 will be \$50,000. Any advertised top prize amount above \$50,000 is an estimate, and the NCEL will pay such prize based on actual available funds in the prize pool for that level.

J. Governing Law

In purchasing a ticket issued for Carolina Cash 5, the Purchaser agrees to comply with and be bound by all applicable statutes, administrative rules and regulations, and procedures of the State of North Carolina and the NCEL.



## Appendix A- Definitions

Act	The North Carolina State Lottery Act, as may be amended from time to time
Activated Pack	The status of a pack of Instant Tickets which indicates to the NCEL that Tickets are being sold from that Pack.
Advance Play/ Purchase	A wager where players may purchase tickets for specific future drawings of an On-Line Game.
Aggrieved Retailer	Any "Lottery Game Retailer" or an "Applicant" who complains of a matter within the scope of the Lottery Game Retailer Dispute Resolution Procedures as set forth in Section 8.02; provided, however, that persons or entities who have not yet taken the steps to become an Applicant may be considered an Aggrieved Retailer with standing to file a "Dispute Resolution Request" pursuant to these procedures.
Annual/ Annuitized/ Annuity Option	The manner in which a grand/jackpot prize may be paid in thirty (30) annual installments
Applicant	Any individual or entity who has properly and fully completed and submitted all portions of the application process (including the required background checks) to become a Lottery Game Retailer pursuant to the applicable procedures established by the NCEL from time to time.
Caption	The letters appearing below the Play Symbols in the play area of an Instant Ticket that verify the correctness of the Play Symbols.
Carolina Cash 5	An online game where players select five numbers between 1 and 39 via Quick Pick, play slip, or retailer manual entry based on player's verbal selections. The five numbers selected become the player's entry for the current drawing with multiple boards and multiple draw options available.
Carolina Pick 3	An online game where players select a 3-digit number between 000 and 999 via Quick Pick, play slip, or retailer manual entry based on player's verbal selections. The 3-digit number selected becomes the player's entry for the current drawing with multiple boards, play types and draw options available.
Certificate of Authority	The non-transferable display certificate with a unique Retailer identification number assigned by the NCEL for each Retailer location. The Act requires every Retailer to post this certificate and keep it conspicuously displayed in a location on the premises of the Retailer's place of business which is accessible to the public.
Claimant	A player who has submitted a valid claim for payment within the required time frame.

Claim Center	A North Carolina Education Lottery location designated by the Executive Director to pay claims for all prizes up to \$99,999.99.
Claim Form	The printed form authorized by the NCEL that a player shall complete and submit to the NCEL along with a winning Ticket to be eligible to collect a prize.
Commission	The North Carolina State Lottery Commission created under the Act.
Denial	The decision by the NCEL to deny any Applicant's application to become a Lottery Game Retailer for any reason.
Designee	An officer of the NCEL, other than the Director, who is designated by the Director to make a "Proposed Decision" (as defined in "Director or Designee Decision" section E).
Director	The person selected by the Commission to be the chief administrator of the "NCEL".
Dispute Resolution Request	A written request by which an Aggrieved Retailer seeks a determination with respect to any matter which is within the scope of these Procedures.
Draw Procedures	The written guidelines approved by the Executive Director that specify the draw procedures for a particular Instant Game, if a drawing is designed as part of the game, and for each On-Line Game.
Electronic Funds Transfer (EFT)	The process by which the NCEL transfers funds from its Retailers to pay amounts due the NCEL. Retailers provide authorization to the NCEL to allow funds to be removed from a separate lottery bank account titled, "In Trust for North Carolina Education Lottery".
Employee	Any at-will employee of the NCEL, and any person employed by the NCEL pursuant to an employment contract or otherwise.
End of Game	The official date established by the NCEL after which the playing public has ninety (90) days to claim their winning Instant Tickets.
Executive Director	The person selected by the Commission to be the chief administrator of the North Carolina State Lottery.
Game Number	The number on the back of each Instant Ticket which refers to the number associated with the particular Instant Game.
Game Procedures	The written rules, regulations, procedures, instructions and directives approved by the Executive Director that include, among other things, the game name, how a prize is won, game Prize Structure, Play Style, and eligibility for a drawing, if any.
Hearing Officer	The Director or his designee who shall serve as a Hearing Officer within the scope of the Retailer Dispute Resolution Procedures. For purposes hereof, "Designated Hearing Officer" means an individual, other than the Director, designated by the Director to serve as a Hearing Officer.

Insufficient Credit Rating	A credit reporting bureau cannot produce a score due to lack of account history
Lottery Retailer/Retailer/ Lottery Game Retailer	A person with whom the Commission has contracted to sell tickets or shares in NCEL lottery games.
Major Procurement Contract	A contract with a Vendor for any purchase of service, apparatuses, supplies, materials or equipment requiring an estimated aggregate expenditure of Ninety Thousand Dollars (\$90,000.00) or more.
Multi-Draw	A play option that allows players to enter multiple, consecutive drawings of an On-Line Game.
NCEL	North Carolina Education Lottery created by the Act.
Pack	A package of Instant Tickets each with a different Ticket Number. The number of tickets in a pack may range up to three hundred (300). All Packs of Tickets of a specific game will have the same number of Tickets per Pack.
Pack Number	The unique number on the back of the Ticket that designates the number of the Pack from which the Ticket originates. Each Pack Number is unique within each Instant Game.
Panel	The requisite numbers and the associated letter which constitute a single game panel on a Play Slip of an On-Line Game.
Pari-Mutuel	A payout method that splits the total available prize money for a particular prize level between all winners of that prize level
Play Area	The covered area of an Instant Ticket that contains the Play Symbols.
Play Slip	A preformatted selection form used with On-Line Games to provide the requisite numbers selected by a player for participation in On-Line Game draws.
Play Style	The method of play to determine a winner for an individual lottery game.
Play Symbol	The printed data under the covered area on the front of an Instant Ticket that is used to determine eligibility for a prize. The Play Symbols for individual Instant Games will be specified in individual Game Procedures.
Policies and Procedures Manual	The document containing all the policies and procedures adopted by the Commission as required and permitted by the Act.
Powerball	An exciting multi-state, multimillion-dollar jackpot game with jackpots starting at \$15 million and continuing to grow until won.
Preliminary Drawing	An event in which Instant Tickets which display the appropriate Play Symbols and which are received by the specific deadline are utilized for the selection of contestants for a Grand Prize Drawing.
Prize Structure	The number, value, and odds of winning prizes for an individual game, as approved by the Executive Director or his/her designee.

Quick Pick	A randomly generated computer selection of the requisite numbers for a player to participate in On-Line Game draws.
Regional Office	A North Carolina Education Lottery office in various cities in North Carolina.
Retailer Business Location	Each respective location listed in the Retailer Contract from which the Retailer may sell lottery Tickets only for those specific NCEL lottery games authorized for each such location by the NCEL.
Retailer Contract	The contract with the NCEL required by the Act whereby a Retailer agrees to comply with and be bound by the Rules and Regulations, as may be amended from time to time.
Retailer Dispute Resolution Request	A written request by which an Aggrieved potential or contracted Retailer seeks a determination with respect to any matter which is adverse to the NCEL which is within the scope of the Retailer Dispute Resolution Policy.
Retailer Validation Code	The small letters found under the covered area over the Play Symbols on the front of the Instant Ticket which the Lottery Retailer uses to verify and validate Low-Tier Prize winners.
Retailer Verification Code	A boxed four (4) digit number used by the Retailer when validating Instant Tickets on a lottery terminal.
Rules and Regulations	Collectively, all of the rules, regulations, policies, procedures, instructions and directives established or made from time to time by the NCEL.
Security Code	The unique data printed on a Ticket that provides for the verification of the Ticket as a valid winner.
Security Deposit	A cashier's check, a money order, a surety bond, or a letter of credit payable to NCEL to insure against default of payment by a lottery retailer.
Settled Pack	The status of a Pack of Tickets which enables the NCEL to bill (or settle) the Retailer's account based upon a pre-determined schedule.
Share	As defined in the Act, any valid tangible or intangible evidence of participation in a lottery game.
Surety Bond	A bond issued by a licensed insurance carrier for the benefit of NCEL to insure against default of payment by the insured lottery retailer
Ticket	As defined in the Act, any valid tangible evidence approved by the NCEL and distributed by its Retailers, to allow participation in a game or activity authorized by the Act.
Ticket Number	The number on the back of an Instant Ticket that refers to the Ticket sequence within the Pack.
Valid Ticket	The ticket which meets all specification and validation requirements.

Variant	A term used in conjunction with certain Instant Game Play Styles and may include a Play Symbol that serves as a “wild card” to complete a winning set of Play Symbols.
Vendor	Any person other than a Lottery Retailer who submits a bid, proposal, or offer to procure a contract for goods or services for the Commission.
Verification Code	Same as Retailer Verification Code.
Winner Claim Form	Same as Claim Form.
Working Papers	For each Instant Game, a detailed set of specifications designating the appearance of the Instant Tickets, the Instant Ticket delivery time requirements, and Prize Structure for the Instant Game.